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9 MARCH 1990



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# ***JPRS Report***

## **East Europe**

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# East Europe

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## CONTENTS

9 MARCH 1990

### POLITICAL

#### BULGARIA

Zhivkov's Grandson's Study in Switzerland Questioned [RABOTNICHESKO DELO 11 Dec] .....	1
----------------------------------------------------------------------------------------	---

#### GERMAN DEMOCRATIC REPUBLIC

Administrative Reform, Territorial Restructure Discussed [NEUER TAG 11 Jan] .....	2
-----------------------------------------------------------------------------------	---

#### HUNGARY

Gorbachev Expecting Imre Pozsgay [NEPSZABADSAG 4 Jan] .....	4
Developments in Duna-Gate Scandal Reported .....	5
Ministry Motives Questioned [HETI VILAGGAZDASAG 13 Jan] .....	5
Parliamentary Debate [NEPSZABADSAG 25 Jan] .....	6
Minister, Committee Oversight [NEPSZABADSAG 26 Jan] .....	8
Nyers Charges Opposition [NEPSZABADSAG 25 Jan] .....	8
New MDF Program Analyzed, Highlights Provided [HETI VILAGGAZDASAG 13 Jan] .....	9
New People's Party Chairman Named; Formerly With MDF [NEPSZABADSAG 22 Jan] .....	10
Smallholders Parties Wage Verbal Combat, Compete With Platforms .....	11
Independents Call MSZMP, MSZP 'Bolshevik' [NEPSZABADSAG 22 Jan] .....	11
National Party Espouses Primacy of Private Property [NEPSZABADSAG 22 Jan] .....	11
NEPSZABADSAG Adds Unattributed Comment [NEPSZABADSAG 22 Jan] .....	12
Social Democratic Party Protests Election Ad Ban [NEPSZAVA 12 Jan] .....	12
Nomination, Election Procedures, Abuses Discussed .....	12
'At-Large' (Regional) Slate Concept Clarified [NEPSZAVA 23 Jan] .....	12
Nominating Process Described [NEPSZAVA 23 Jan] .....	12
Nominating Process Control Mechanism Described [NEPSZAVA 23 Jan] .....	13
Coalition Crisis Management 'Bridge Group' Described [NEPSZABADSAG 2 Feb] .....	13
County Newspapers Seek Independence From MSZP [NEPSZABADSAG 23 Jan] .....	14
Parliament Approves Financial Disclosure Law .....	15
MSZP Supports Disclosure [NEPSZABADSAG 25 Jan] .....	15
Scope, Applicability Debated [NEPSZABADSAG 2 Feb] .....	15
Text of Law [NEPSZABADSAG 2 Feb] .....	17
Jurist Claims Police Power Unrestricted Despite New Rules [NEPSZAVA 30 Jan] .....	17
Workers Guard Liquidation Progress Report [NEPSZABADSAG 5 Jan] .....	19

### ECONOMIC

#### INTRABLOC AFFAIRS

CEMA After Sofia: Growing Disarray .....	20
Situation Overview [Budapest HETI VILAGGAZDASAG 20 Jan] .....	20
Soviet Proposal Compared; Superior Czech PR [Budapest HETI VILAGGAZDASAG 20 Jan] .....	22
IZVESTIYA Threat: Medgyessy Reaction [Budapest HETI VILAGGAZDASAG 20 Jan] .....	23

#### CZECHOSLOVAKIA

Komarek Views End of Restructuring 'Game' [LIDOVA DEMOKRACIE 18 Jan] .....	23
Microelectronics Industry Search for Niches Viewed [SVET HOSPODARSTVI 5 Dec] .....	24

## HUNGARY

Iraqi Crude Oil To Be Received via Adriatic Pipeline [NEPSZABADSAG 22 Jan] .....	26
Property Protection, Related Legislative Action .....	26
Commissioner Explains Background [FIGYELO 11 Jan] .....	26
Summary of Proposals [FIGYELO 11 Feb] .....	29
Parliament Tightens Provisions [HETI VILAGGAZDASAG 3 Feb] .....	33
Illegal Interenterprise Forced Lending Increases Sixfold [FIGYELO 4 Jan] .....	34
Food Price Increase: FIGYELO Charges, Government Responds .....	35
FIGYELO Blames Mismanagement [FIGYELO 11 Jan] .....	35
Ministry Issues Official Statement [FIGYELO 18 Jan] .....	37

## POLAND

Exports Fall, Imports Rise in Relation to Payments Zones [RYNKI ZAGRANICZNE 23 Dec] .....	38
-------------------------------------------------------------------------------------------	----

## SOCIAL

### BULGARIA

Environmental Failures Cited, Solutions Proposed [RABOTNICHESKO DELO 18 Dec] .....	40
------------------------------------------------------------------------------------	----

### GERMAN DEMOCRATIC REPUBLIC

Journal Publishes Statement on Academic Role, Freedom [DAS HOCHSCHULWESEN Jan] .....	41
--------------------------------------------------------------------------------------	----

## BULGARIA

### Zhivkov's Grandson's Study in Switzerland Questioned

90EB0159A Sofia RABOTNICHESKO DELO  
in Bulgarian 11 Dec 89 p 2

[Article by Atanas Nenov: "Who Is Studying in Switzerland and Why?"]

[Text] This question arose in our office when readers brought the editors a photocopy of detached-mission Order No. 174, dated 5 October 1989 and published on 9 December in the newspaper TRUD. It was issued by the Ministry of Economics and Planning. It reads: "By virtue of the order on official detached missions and specialty training abroad, approved by Decree 30 of the Council of Ministers of the Bulgarian People's Republic, dated 2 July 1987, as well as the order on the dispatching of students to foreign higher education institutions, and in implementation of the long-term program for the training of Bulgarian students in the developed capitalist countries, adopted by Minute K-9 of KINTS [Commission for Economic, Scientific and Technical Cooperation] of the Council of Ministers, dated 28 January 1983, I hereby dispatch Todor Ivanov Slavkov, student, on a detached mission as a student in semestrial training (exempt from passport fee under Decree 30, article 5, paragraph 7) for a period of 5 years with effect from 1 September 1989, to Switzerland, the city of Bern, with entitlement to: travel allowance and expenses in the amount of 764 Swiss francs per month; quarters allowance up to 1300 Swiss francs per month; all charges for tuition, insurance and textbooks to be accounted for with documentation; travel allowance within the country up to 660 Swiss francs per month.

"Type of detached mission: training in the subject of management.

"Travel between Sofia and Bern not only on the way out but also on the way back, as well as in order to take advantage of summer vacations shall be by air.

"Funds in hard currency shall be chargeable to the Ministry of Economics and Planning, funds in leva to KNVO [Committee for Science and Higher Education] of the Ministry of National Education, in conformity with Decision 7 of the Council of Ministers, dated 21 June 1983.

"During the annual vacation the detached-mission student shall be paid a stipend in leva by the Ministry of National Education in an amount set for Bulgarian students receiving training abroad.

"I charge the student to submit periodically through the embassy of the Bulgarian People's Republic in Bern a report on funds expended.

"Within 15 days on returning to the Bulgarian People's Republic, the student shall submit to the KNVO a report on his training.

"Signed: Minister Stoyan Ovcharov"

(In 5 years the entire sum is 163,500 Swiss francs.)

The citizens who brought in the document asked the following questions: Is this order legal? Are the above-indicated amounts within the limits of what is permitted? How was the student selected from among many others? Quite natural questions, considering that the student in question is Todor Zhivkov's grandson.

We delayed this article for 2 days as we were checking at the Ministry of Economics and Planning. We talked with the chief secretary of the Ministry Nikola Koychev.

"It is quite ordinary practice to send specialists and students on a foreign probationary period, long-term specialty training or education. Our Scientific-and-Technical and Production-Cooperation Administration deals with this activity. It maintains contact with foreign foundations, institutes, academies and sends personnel for specialization or training, be it at our expense, on an exchange-student basis, etc. At the moment about 800 of our citizens are receiving refresher courses or education in this way.

"The procedure is as follows. Candidates are recommended by the departments or institutes where they are employed, and students after successfully passing the candidate-student examinations are recommended by their respective higher education institutions.

"As for the case of Todor Slavkov, he was recommended as a candidate for training in an urgent specialty by the former National Council on Education, Science and Culture or, rather, the Committee for Science and Higher Education. The funds provided for in the detached-mission order are set in accordance with the prescriptive documents currently in effect. There is no violation in this respect. This is the way expenses for all Bulgarian students abroad are set. How the candidate was selected, whoever recommended him, namely, the Committee for Science and Higher Education, will have to tell. What is strange about the case is that in our records there is no memorandum or any written recommendation at all on the basis of which the order was drawn up. But there should be. What also is striking is that the order is typed on a machine with a typeface that our ministry doesn't have. I should like to inform you that by a new order of 8 November, signed by Stoyan Ovcharov, the training period has been shortened to the end of this year. Why this happened I cannot say. Perhaps the former minister should answer."

We were unable to check either at the Committee for Science and Higher Education or at the Higher Economics Institute where Todor Slavkov should have taken the entrance examination, since Friday was a students' holiday and there was simply nobody there; and then

came Saturday and Sunday. We will, however, check and tell our readers whether Todor Slavkov took an entrance examination, and who, how and why recommended him to study abroad, and why precisely in Switzerland.

## GERMAN DEMOCRATIC REPUBLIC

### Administrative Reform, Territorial Restructure Discussed

90EG0152A Frankfurt/Oder NEUER TAG in German  
11 Jan 90 p 6

[Article by Professor Dr. Siegfried Petzold and Dr. Heidrun Pohl, GDR Academy for Political Science and Jurisprudence, Potsdam-Babelsberg: "What Can and Should Administrative Reform Achieve?"]

[Text] One element of the democratic renewal of socialist society and of its political system that has been initiated in our country is an administrative reform. The starting point for such a reform should be to define a new quality of governmental activity that directly promotes the fundamental changes that are taking place and makes them irreversible. It is a question of creating a polity in which popular sovereignty truly becomes a reality, the people are the sole subject of the political exercise of power, and the politically responsible citizen with his interests can find realization, without encountering bureaucratic-administrative restrictions.

### Main Orientations and Objectives of Administrative Reform

In particular, the main orientations and objectives of administrative reform should be:

- Democratization of the governmental and administrative apparatus in terms of real participation by the citizens in decisionmaking concerning pansocietal, communal, and individual matters on all levels. Division of labor between the representative bodies and administrative organs. Serving the state must be the same as serving the people, and governmental work must serve the interests and concerns of the citizens as well as promote their mutual relations.
- Openness and disclosure of governmental activity as a whole, and in particular in decisionmaking. Formation of simple and clear leadership structures that make it easy for the citizen to discern who is responsible and competent for what.
- Creation, development, and implementation of principles based on the rule of law for state and administrative activity on all levels of management, which requires a democratically organized and legally clearly defined control mechanism.
- Professional competence, clear delimitation, and unambiguous establishment of the responsibility and

authorities of state and administrative organs, in order to counteract bureaucracy, incompetence, and the dual-track system.

- Reduction in the expenditure on management and administration by limiting excess spending on deputies, and more services and benefits available to the population.

### Governing Administration Accountable Solely to People's Chamber

In accordance with our understanding, administrative reform can be implemented only in conjunction with other fundamental restructuring, especially economic reform and the pursuit of self-administration by the communes.

It is in keeping with the essence of popular sovereignty that the governing administration be and remain responsible and accountable solely to the People's Chamber in its activities. With this as our starting point, it will be similarly necessary that relations between the highest legislative and executive organ of our state in terms of the division of labor be formulated clearly, and that the appropriate forms and modalities be found and established by law. The goal of a redefinition of the tasks and functional method of the Council of Ministers, and of the smaller number of members of the government is to ensure professional know-how and effectiveness in government activities. The tasks of the ministries and the other central state organs, as well as their leadership structures, must also be redefined in order to achieve a universal restructuring of the central state apparatus. This should be reflected in a new law on the Council of Ministers.

### Heightening the Position and Function of the Cities and Municipalities

The current political-territorial arrangement of the state structure should be analyzed and organized in such a way that it promotes the societal processes that are under way and provides stable political-organizational foundations for them. The essential goal of this reform should be to heighten the social position and function of the cities and municipalities and to dismantle superfluous administrative levels and structures.

The democratic renewal of the socialist society from below is closely linked to the development of the cities and municipalities into self-responsible communities of citizens. At the same time, there must be a new approach to the claims placed on the natural environment and the structure of the territorial reproduction conditions.

The priority for a reform in the political-territorial organization should be given to structuring the cities and municipalities as that basic unit of socialist society in which the citizens work and live, take advantage of their democratic rights, and decide on their mutual relations themselves. The communal representative organs, in

conjunction with all the societal forces, citizens committees, and other citizens groups, should be made able to decide on communal affairs themselves, manage tasks in the interest of the citizens and of the community, and preserve and consolidate the distinctive face of the cities and urban settlements and the special characteristics of the small towns. This is why in the course of reform of the material, financial, and not least of all the personnel foundations for a citizen-oriented communal policy should be strengthened or created in the urban kreises, the kreis cities, other cities belonging to a kreis, and municipalities. This means subordinating or assigning enterprises and capacities in the area of the urban and housing economy, construction, services and repairs, and supplies for leisure and recreation to the cities and municipalities. The way in which communal ownership can be effective as a productive factor of communal self-responsibility must be discussed in greater depth.

The following would be possible as short- and middle-term measures to reform the political-territorial structure:

- The conversion of kreis cities with more than 50,000 inhabitants into urban kreises or kreis-free cities.
- The elimination of urban and rural kreises existing side by side.
- The dissolution of small rural kreises, which prove to be no longer necessary in the present-day structure.
- Changes in the classification and political position of city districts.

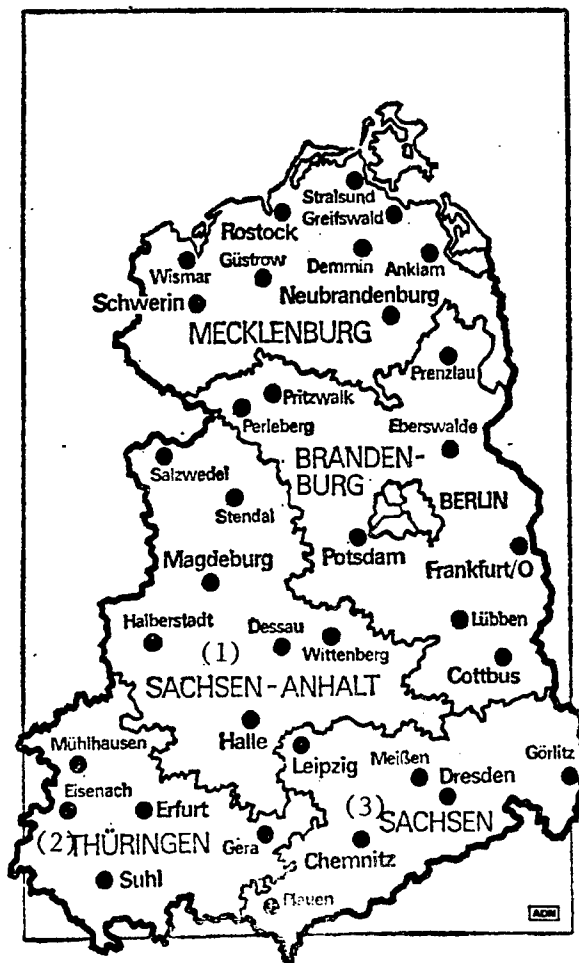
If the self-responsibility of the cities and municipalities grows and other restructuring, especially in the organization of the economy, takes place, then a careful analysis of the other territorial administrative levels is also necessary. This concerns the future existence and distribution of bezirk and landkreis duties and competence, whereby we are guided by the idea that kreises, cities, and municipalities constitute the communal level.

The reshaping of the Laender as they existed until 1952 will also be discussed openly. Further discussion should center on their position and function in the state and societal configuration. Political, economic, infrastructural, social, demographic, and other consequences of this must be taken into consideration.

#### Intensive Exchange of Opinions Is Necessary

The complex aspects and problems of reforming the political-territorial structure require an intensive exchange of opinions by all involved and interested parties, as well as the cooperative interaction of communal politicians, jurists, economists, sociologists, demographers, and urban planners. Most of all, the citizens themselves must be consulted concerning these questions.

Administrative reform includes expanding or creating new foundations under the rule of law for administrative



The Former Laender Structures in the Territory of the Present-Day GDR

Key:

1. Saxony-Anhalt
2. Thuringia
3. Saxony

activities. In particular, relations between administrative organs and citizens must be given a legal structure. This means that it must be established clearly—for both citizens and administrative organs—under material administrative law which preconditions and criteria must be present in order to ensure concrete rights for the citizen, and for what reasons such rights can be denied and how one can react effectively to violations of the law. The approximately 200 legal ordinances in force in this area permit only a gradual revision. Based on the basic rights and obligations specified in the Constitution or to be newly specified, further-reaching rights and obligations inherent to the citizen must be established exclusively in laws. In this regard, an administrative procedure law is also necessary for the GDR, the basic principles of which have been the subject of academic

discussion for some time now. It is also urgently needed because since 1 July 1989 certain administrative decisions have been subject to judicial review, even though the applicable administrative procedure for this is inadequate, fragmented, and unstandardized. It is also necessary that the supervisory function of the courts over administrative activity be expanded. In the future, all administrative decisions should in principle be subjected to judicial review.

**[Box, p 6]**

At the Second Party Conference of the SED [Socialist Unity Party of Germany] in July 1952, it was proposed that the existing Landtags and Land governments be replaced by 14 bezirktags and bezirk councils. In cities with more than 100,000 inhabitants, urban bezirks were to be created. This restructuring was approved by the People's Chamber on 23 July 1952. Among other things, our article deals with the fact that there is discussion to the effect that this former structure be reintroduced.

## HUNGARY

### Gorbachev Expecting Imre Pozsgay

90EC0225A Budapest NEPSZABADSAG in Hungarian  
4 Jan 90 pp 1, 5

[Text] "They have confidence in us and understand our party's efforts toward a peaceful transformation, which are being all the more appreciated in the wake of changes resulting in the tragic events in Romania," said Pal Vastagh, member of the presidium of the Hungarian Socialist Party (MSZP), who returned yesterday from a two-day visit to the Soviet Union. In Moscow he met Alexander Jakovlev, Secretary of the Central Committee of the CPSU [Communist Party of the Soviet Union], a member of the Politburo, and with officials of the Soviet party's foreign section, and its deputy head. He lectured on the Hungarian transformation at the Academy of Social Sciences of the CPSU Central Committee.

Pal Vastagh continues: "I told them that the political atmosphere at the MSZP is such that it cannot support any anti-CPSU trends. We treat our correct, friendly, and good-neighborly relations with the Soviet Union not only as a political issue of our party, but also one of long-term national interest."

[NEPSZABADSAG] What are your impressions of the internal situation in the Soviet Union?

[Vastagh] A difficult and complex situation has developed in Soviet internal politics and within the CPSU. Perestroika has been unable to produce tangible results for the masses and this has led to tensions. This manifests itself in many ways, some familiar in Hungary. At the same time, it is not well appreciated, perhaps understandably, that positive outcomes can be expected of these processes only in the long run.

[NEPSZABADSAG] Could you comment on how they responded to the "independence" resolution of the Lithuanian Party Congress?

[Vastagh] This understandably worries the Soviet party leadership. They considered the Lithuanian Communist Party to have only helped the conservative forces. It is well known in Hungary that the secretaries of CPSU Central Committee, members of the Politburo, and Gorbachev have personally initiated discussions between Gorbachev and representatives of the Lithuanian Party and society, and after this, the Central Committee will discuss the subject again toward the end of January.

[NEPSZABADSAG] Do you think those talks will succeed?

[Vastagh] It is hard to predict how the pieces will fall. I doubt if the CPSU will be able to resist the efforts of some parties in member republics towards independence. It will probably require a large, all-encompassing step in reorganizing the Soviet Communist Party.

[NEPSZABADSAG] Do Soviet leaders still view changes in East-Central Europe as a renewal of socialism?

[Vastagh] They regard political processes in our region as a search for new paths. Jakovlev believes that instead of talking about a crisis in the ideology of socialism, we should ponder about making the conditions of life in individual countries healthier, better, and more normal. It is in this spirit that he proposes international conferences unrestricted by formalities, and with open agendas for discussing the perspectives of our development.

[NEPSZABADSAG] The Soviet Union thus does not approach changes in our region from the viewpoint of a superpower.

[Vastagh] I encountered views of politicians from a great power—not from a superpower—aware of its international responsibilities. I should also remark here that our discussions were characterized by an atmosphere of complete equality. I was reminded several times that Soviet leaders repeatedly warned Zhivkov, Honecker, and Ceausescu about events in their countries. They recalled a heated argument between Ceausescu and Gorbachev in which the General Secretary of the CPSU sharply criticized Romanian conditions. In a word, they are aware of political responsibilities.

[NEPSZABADSAG] Since you brought it up, how did your negotiating partners react to the Romanian changes?

[Vastagh] They said that they expected changes in Romania to take place amidst tragedy, but not this swiftly and in such extremes. This was reflected by the initial Soviet reactions and the scanty release of information.

[NEPSZABADSAG] Did the Hungarian Workers' Socialist Party (MSZMP) figure into the discussions?

[Vastagh] Yes, but not as a central subject. We did not go to talk about the MSZMP, but to inform them about the MSZP. We talked about our future partnership. An important move toward interparty cooperation was our pushing for a meeting between Imre Pozsgay and Mikhail Gorbachev. We proposed a specific date. The Soviet leadership was receptive on this matter, and the meeting will probably take place in the near future. At a later date a delegation headed by comrade Nyers will visit Moscow.

[NEPSZABADSAG] What other questions were on the agenda?

[Vastagh] We touched on the matter of accounting in hard currency (i.e., dollars); the Soviets wish to submit a comprehensive proposal on this. They would like it to apply to transactions among all COMECON (Council for Mutual Economic Assistance) countries. The subject of Soviet troop withdrawals also came up, but this can be visualized only in the overall European context. We also brought up the problem, discussed in the past but amenable to resolution only through government organs, of making visits to burial places of Hungarian soldiers and P.O.W.s who died in WWII possible. It was also observed that changes in the Sub-Carpathian region are having a beneficial effect. I am referring to improvements in the lives of Hungarian minorities living there, the broadening of their cultural opportunities, and their use of language. Finally, our partners to the discussion acknowledged that we are inquiring about social forces beyond the CPSU, in the sense of regionalism and by observing the political palette. Our partnership is thus not based on exclusivity, which indicates that a new renaissance in Soviet-Hungarian relations is in the offing.

### Developments in Duna-Gate Scandal Reported

#### Ministry Motives Questioned

25000648 Budapest HETI VILAGGAZDASAG  
in Hungarian 13 Jan 90 p 66

[Article by Richard Hirschler under the rubric "Opinion"]

[Text] Who would be buried under a Hungarian Watergate? Would it be only those directly responsible for spying on, wiretapping, and opening the mail of non-communist parties and organizations, as is shown in documents acquired by the Alliance of Free Democrats [SZDSZ] and the Association of Young Democrats [FIDESZ]? Would it be only Interior Ministry counter-espionage officers Ferenc Pallagi and Jozsef Horvath and their accessories in crime, including Interior Minister Jozsef Horvath and other eminent representatives of the Interior apparatus? Or would it be the leaders of the government and state administration who regularly read through—and, if necessary, used for their own political purposes—the reports and information provided by Interior network persons and built-in spies who did it for the cause?

The bomb exploded by SZDSZ and FIDESZ last weekend created a new situation overnight in our already tension-filled domestic political life. In retrospect, hardly anyone could find an explanation as to why society, including the opposition parties, acquiesced to the fact that the Interior apparatus remained untouched in the course of the 1989 peaceful transition. Why did they think that the Interior apparatus which thinks in the old ways would stop by itself, that the State Security Service would liquidate itself, or that it would assign its men to cover only the truly suspect organizers of conspiracies? Why was it necessary to wait until now, at a time when in neighboring countries—in which, as we know, changes took place with lightning speed—the state security apparatuses of the ministries of interior have been disconnected at the first possible moment, and their men relieved of further duties?

The fact is that everyone settles the transition slated to end in late March by saying that "we can stand it somehow until then," and the new democratic parties, their leaders, do not wish to be compromised as members of a government inherited from the Hungarian Socialist Workers Party [MSZMP]. It was this situation the Interior Ministry apparatus may have taken advantage of. It tried to justify its existence with piles of reports and analyses. It is yet another matter—and this obviously took place to their regret—that decisions for firm action which appeared at the end of their reports only held out the prospect for more findings of fact and information gathering, at most. The good old days when it was possible to present and harass political opponents are gone.

Just what counterespionage had in mind continues to be a mystery to me: Who will read and analyze their reports after March? Could they be hoping for the ripple effects of a Soviet turnaround? In the same way, I cannot tell whether only the Ministry of the Interior—as the "state within the state"—evaluated and utilized the secret information, or if the past and present members of the state party also had access to the report, perhaps in order to use those for their own purposes in the election struggle. (It is more than remarkable that the service was not interested in the internal life of the Hungarian Socialist Party [MSZP] and the MSZMP.)

I believe that the time has come to shake up the apathetic Hungarian public opinion. Disintegration of the last bastion of Stalinism (the siege on the Ministry of Defense has begun already) could weld the democratic forces of the country into unity. It would be good if those in charge at the Ministry of the Interior would be held accountable by a special parliamentary committee established for this purpose, concerning the past and present illegal activities of the political police, and if that committee would inform the public about who the members of the nationwide stool pigeon network were, and about



the behind the scenes activities of Interior Ministry liaisons in enterprises. If breaches of law are proved, such a revelation could hardly leave untouched the careers of all those who directly, or—tacitly—indirectly, were mixed up in the scandal, whose aftershocks we shall feel for a long time.

### Parliamentary Debate

25000648 Budapest NEPSZABADSAG in Hungarian  
25 Jan 90 p 4

[Excerpt from report on legislative proceedings of 24 Jan]

[Excerpt] [passage omitted]

### Do Not Expect Either Sensation or an Admission

After recess, Vice President of Parliament Lajos Horvath emphatically called the representatives' attention to the fact that another issue which has a deep impact on fundamental human rights would be dealt with, and that once again there is a need to create a law having the force of the constitution. This ominous agenda item pertained to the wiretapping scandal known as "Duna-Gate," and to the debate over the temporary regulation of authorizing special means and methods used by the secret service.

"No one should expect to hear sensational news, a revelation, or an admission from me," Interior State Secretary Zoltan Gal, the proponent of this matter, said at the outset. It is known that the government dealt with this matter in detail at its Sunday session, and rendered a few decisions of an organizational and personal nature. In reference to these decisions, the state secretary said that he intends to abstain from going into details. On the other hand, he reminded legislators of the fact that state security activities—and within that, internal security activities—were governed by secret orders which in their own days were consistent with the country's internal setup and with the prevailing ideology. The service had to gather confidential information about persons and groups whose outlook on the world and activities were regarded as undesirable by the political sphere.

Thereafter, in the course of his speech, Gal went into details several times concerning changes and organizational rearrangements the service has undergone in recent months, and which the leadership of the Ministry of the Interior has implemented. Gal stated that the tasks of the State Security Service were defined in a 1974 decree having the force of law. But even that decree provided only a framework. Its contents were specified in decrees and orders issued by the minister. All of the latter were classified as state secrets. But there were also government decisions, instructions emanating from the deputy prime minister, whose contents and texts were not even known to all members of the government.

"The unclear legal regulation of state security service activities finally turned untenable on 23 October 1989,"

according to the state secretary, who then added that the members of the service were not responsible for the lack of clarity in law. This is true, if for no other reason, because from among the secret directives each of them had access only to those which applied directly to them personally, he said.

Speaking of the submitted legislative proposal, Gal stated that despite its transitional character, it may constitute a legal basis for the application of secret service methods which are so important from the standpoint of securing the constitutional order of the state. The law will be in force only until such time that some comprehensive national security rules—a law concerning this subject—are created. The essential framework of such a law has already been prepared, and the government will discuss that law within a few days with the parties.

In reporting on the provisions of the long overdue proposal, the state secretary said that they intend to entrust the power to authorize the use of secret service means to a person independent from the service. And the law circumscribes the kinds of tasks for which secret service means may be applied. In regard to the issue of whether crime fighting organs would be able to use these means subsequently, the state secretary presented his ministry's position, which holds that in the present situation crime fighting organs cannot function properly without applying these means because of commitments made in various international agreements, such as the antinarcotics agreements.

### No Name Switching

It is of only symbolic significance that the name of the service will change. According to the proposal the state security service would be replaced by a national security service. With this change they wish to express the fact that future secret service organizations will not protect the state system, but will regard the protection of the entire nation and the constitutional order as their task, according to the state secretary.

Although several representatives introduced modifying amendments, considering the fact that the legislative proposal was reported favorably by both the judiciary and defense committees, the presiding Lajos Horvath ordered the commencement of general debate over the legislative proposal.

Dr. Karoly Szijarto, the supreme state prosecutor of the Hungarian Republic, was first to speak. He provided a detailed report concerning the findings of the investigation of the wiretapping scandal thus far, even though he did not reveal anything new or sensational. Unless one considers it new or sensational that the investigation conducted by the office of the military prosecutor has been greatly impeded by the fact that thus far they have not had any information whatsoever concerning the activities of the state security organs. Moreover, they were unaware of legal provisions on the basis of which the state security organs operated.

Szijarto said that the daily reports produced by the Interior Ministry's III/III group command were received by the leaders of the the group command, and that a copy was sent to the minister of the interior's state security deputy. They prepared summary reports from these daily reports, which were then distributed to state leaders involved in managing areas dealt with by the reports, in addition to certain leaders in the Ministry of the Interior. The supreme state prosecutor's words revealed that the service not only gathered information on the SZDSZ and FIDESZ, but also kept its eyes on the MSZMP and the MSZP. On 11 January, the day the investigation was ordered, the service was engaged only in two wiretapping projects, in both instances on the suspicion of extremist, unconstitutional activities. Szijarto further said that Police Major Jozsef Vegvari—the person who provided the top secret documents to FIDESZ and the SZDSZ—was summoned as a witness in the case. The questioning of the suspects has also begun, but Szijarto did not tell their names to Parliament, and he did not even refer to them. On the other hand, Szijarto said that based on the investigative findings thus far, it is impossible to say whether anyone may be held criminally responsible. At the same time, it was not the function of the prosecutor's office to establish political responsibility.

#### Small Campaign Under the Pretext of Debate

In his brief remarks, all that Constitutional Court Deputy President Laszlo Solyom had to say was that based on his present knowledge, state security activities were governed by 84 secret directives. At the same time, he acknowledged the fact that in the framework of state security work it was very difficult to maintain a balance between the protection of the interests of the state and the protection of the rights of citizens. He also asked the prime minister to submit copies of the legislative proposal submitted and its detailed implementing provisions to the Constitutional Court for evaluation.

Miklos Tamas Gaspar was next to speak. At the outset, he made it clear that his movement—at the time it was not called SZDSZ—believes that there is a need for the state. But the need calls only for a servant, an executive organization, in the old sense of that term. Thereafter the representative embarked upon a detailed discussion of legal philosophy concerning the future tasks of the state, and expressed disappointment and dissatisfaction with Istvan Horvath's resignation speech. A small political campaign speech followed. By and large quoting the prime minister's remarks, Tamas Gaspar said that in his view it was not the irresponsible political organizations which created fear in this country, but that it was the prime minister himself who did that. Further, Tamas Gaspar said that he himself acknowledges the prime minister's activities by which he contributed to the changes that have taken place during the past period, and requested that he continue to stay in office. Using a well-timed election trick, Tamas Gaspar announced that none of them had previously wiretapped and endeavored

to persecute to accomplish what they are accused of by so many, that is to create a witch hunt and dismiss public officials.

#### Change in Stroke, Followed by Recess

A response was soon to come to the remarks, which in certain parts were rather provocative. Csaba Hamori stood up on behalf of the prime minister and said that some parties feel that they may carry matters to the clashing point, and may acquire power even before the elections at the price of a domestic policy or a government crisis. For this reason he called upon all political forces to jointly stand up against extremist means and methods being applied with increasing frequency in the election struggle. MDF [Hungarian Democratic Forum] representative Gabor Roszik joined the MSZP-SZDSZ match, and so did Sandor Dauda on the other side. Representative Erno Raffay was next. He rejected the personal tone used by both the MSZMP and the SZDSZ. And so that he could return to the original subject of debate, he suggested that Parliament form a special committee to investigate Duna-Gate, and that each party be represented by one member in that committee.

In his remarks, Bacs-Kiskun County MDF representative Jozsef Debreczeni discussed the MSZMP's past actions in which it destroyed documents. Just why he did so, and why at this point, remains a mystery.

Despite all this, Sandor Csipko put on the gloves and demanded that his fellow representative also state what the MSZP county leader had to say in this regard. (The county newspaper PETOFI NEPE presented two writings, while Debreczeni reported on only one of these writings.) A new change in strokes took place in the chamber. It was no coincidence that dealing with personalities was deemed inappropriate within Parliament by representative Janos Reidl. He called upon the individuals not to conduct their election campaign in the parliamentary chamber!

It took more than a small effort exerted by the president to return the debate to its original subject. In the end, a few minutes later, in due regard to the multitude of modifying amendments, as well as because those amendments had to be discussed by the judiciary committee, the president ordered a luncheon recess.

#### Decision Postponed Until Today [25 Jan]

Following a prolonged luncheon recess, the National Assembly chaired by Lajos Horvath continued its work at 1500 hours.

State secretary Dr. Gal began his response with a message addressed to Tamas Gaspar. In his remarks, Tamas Gaspar spoke of two and a half statesmen. Based on this statement the state secretary felt that he was that "half of a man," and therefore he felt that he would have difficulty in deciding whether he could respond to the National Assembly.

Finally, Gal was able to overcome this problem in response to loud encouragement by several representatives, and was thus able to summarize the recommendations related to the legislative proposal. He established what represented a recurring thought in the course of debate: that there is a well orchestrated attack against the state apparatus. In reference to his specialty, the employees of councils are already afraid, and this was not a good sign prior to the elections.

The state secretary also raised a poetic question regarding "confidence." Having learned of the wiretapping, one representative of the National Assembly asked: Why did you not seek out the prime minister, why did you ask the Black Box?! Whereas this representative has given assurances to the country and the world regarding his support of the chairman of the government. [as published]

Gal made it clear that the functioning of the nation's institutions was in the nation's interest. In the end he rejected the amendments proposed by Tamas Gaspar, and in this regard both the judiciary and the defense committees followed suit. On behalf of the two committees, Dr. Csaba Kereszty recommended that the National Assembly adopt the legislative proposal in its original form.

A vote would have followed thereafter. The president of the House stated that because this was a proposal for a law having the force of the constitution, a qualified, two-thirds majority was needed for passage. At that time there were 287 representatives in the chamber. The voting began, but several persons enlightened the presiding Lajos Horvath that this was not the way to pursue this matter. The representatives pushed buttons for the A and B alternatives, but the qualified majority did not come about.

At first Mrs. Attila Toth suggested that they issue a call for all the representatives in the building, then Kalman Szabo proposed that all those who want to vote for the B alternative should switch to the A side.

At this point, the chair ordered a recess. But when they were not able to straighten out the situation even in 40 minutes, Lajos Horvath announced that the final decision would be made today [25 Jan].

#### Minister, Committee Oversight

25000648 Budapest NEPSZABADSAG in Hungarian  
26 Jan 90 p 4

[Excerpts from report on legislative proceedings of 25 Jan]

[Excerpts] [passage omitted] On behalf of the committee on law, government administration, and the judiciary, Dr. Gyorgy Bolcsey expressed support of the use of secret means as overseen by the Minister of Justice. But he added that Minister of Justice Kalman Kulcsar felt that this would be acceptable only if representatives of

parties present in Parliament state that this assignment enjoys their respective parties' support, because then they will not be able to torpedo this matter in retrospect. Various party factions held negotiations during the recess, and thus, with certain gaps in the course of debate, the House turned its attention to other subjects. [passage omitted]

All factions having returned, it seemed that there would be a way to reach a decision with regard to the two-day debate. All factions assured the justice minister of their support, and announced such support individually and aloud. In the end, the transitional regulation of the use of secret service means and methods was approved by the National Assembly, with 279 representatives voting in the affirmative. Fourteen abstained. They also decided that each parliamentary faction would delegate one member to the committee which oversees the justice minister and hears his monthly reports.

The president almost called for a luncheon recess when Gabor Roszik responded to the question raised during morning debate, as to why he had turned to the Black Box and not to the minister of the interior for a reply in regard to wiretapping. He said that three days before he took this step Dr. Erno Raffay sought the interior minister's explanation, but the minister did not provide a satisfactory response.

#### Nyers Charges Opposition

25000648 Budapest NEPSZABADSAG in Hungarian  
25 Jan 90 p 5

[Interview with MSZP Chairman Rezso Nyers: "Secret Service Methods in Public Life"; date and place not given]

[Text] [NEPSZABADSAG] Some opinions hold that the main goal of those who triggered the Duna-Gate explosion was to decapitate the Ministry of the Interior, and, of course, to try to discredit the MSZP at the same time. But if this is the case, why did the chairman of the MSZP not object to that in Parliament?

[Nyers] The MSZP presidium has already expressed its position on this matter. And since my private view agrees with that of the presidium, I did not feel it was necessary for me to speak.

[NEPSZABADSAG] The radio reported that the resignation of Istvan Horvath substantially reduced the MSZP's election chances. Do you agree with this statement?

[Nyers] What "reduces" the MSZP's chances most is that several parties regard the discrediting of the MSZP as their main goal. One cannot tell what they will pull out of their bags after the Duna-Gate affair is finished. In any event I do not regard this method, this kind of election tactic, as ethical. On top of this, some of our opponents use the same methods as the Interior Ministry did before. Yes, they are applying secret service methods in

public life. They use Stalinist methods while professing to be marching under the banner of anti-Stalinism.

[NEPSZABADSAG] Ivan Vitanyi recently said that, unless this kind of discrediting of the government—and of the MSZP—stops, the MSZP will withdraw its ministers from the government. Precisely whose views were these, and what should we understand them to mean?

[Nyers] Several individuals in the presidium share this view. At issue is the fact that as long as the majority of the parties concentrate on how they can make the MSZP appear in the falsest colors, and how they can render the government's situation impossible, and as long as they adjust their steps toward this, our party will remove itself from the government. This does not mean that we would recall the ministers, of course; we could not do so, and there are no means by which we could do so. Removing ourselves would mean that the party would not take part in formulating government policies, and would not accept solidarity with such policies. But the time for this step has not yet come, and I hope there will be no need for it.

#### **New MDF Program Analyzed, Highlights Provided**

*25000650B Budapest HETI VILAGGAZDASAG  
in Hungarian 13 Jan 90 pp 72-73*

[Unattributed article: "MDF Program: Self-Government"—play on words: "Are You a Government?"]

[Text] The terms constitutional state, enterprise, private property, independent, wage reform, and improvement of the pensioners' situation frequently occur along with many other concepts in almost every party's programs which exist today. This means that in principle, at least as far as their pronouncements are concerned, the parties want one and the same thing, and that differences may exist only in terms of detail. The Hungarian Democratic Forum [MDF] is one of those parties which places greater-than-average emphasis on the evolution of self-organizing and the evolution of self-governance, to the autonomy of individuals and communities. This article presents a sketchy insight into the related perceptions of MDF.

"The safeguarding of protected animals and plants in Hungary in their natural environment must enjoy priority over economic development programs," according to the MDF program just off the press. This wording makes one realize that thus far, as a people, as a nation, we have not received even as much "protection" as protected animal and plant species, because at least those have been maintained even thus far in their natural environment (and have been destroyed, in given situations, by the implementation of "economic" plans). To people, to the populace and the nation, the broad meadows and dense forests do not represent the natural fiber, of course; to them society represents the natural environment: their residences, workplaces, and resident

and worker communities. There have been, of course, more protected "races" within the populace, primarily those who have held on to positions in the single party and the state, but, in general, people have been deprived of the fiber that keeps them alive: from various forms of self-government and self-organization.

The MDF program demands from a hopefully upcoming democracy that people enjoy a rank equal to that of protected animals, and that people be returned to their natural environment, so as to enable them to establish and operate their self-established autonomous government without upper level influence, that they be able to freely organize interest protection organizations and associations which convey and safeguard culture. A party program cannot be written in profane language, of course; it cannot establish a link between animals and people, but it is obviously no coincidence that the subject of self-governance, self-organization, appears immediately following political principles in the voluminous—more than 160-page—program. Only thereafter do we find environmental protection—occupying almost 70 pages—followed by the economy, agriculture, social security, family protection, health care, educational policy, the protection of minorities, foreign policy, and national security, in this order. By using this sequence, it appears that those who prepared this program also wanted to express the idea that without this, i.e. without the people's "will declared" through self-governance, no democratic transformation whatsoever is conceivable.

The program envisions the conditions for expressing the people's will in clarifying proprietary conditions which have become confused as a result of the "damaging consequences of external oppression, an overly centralized government, a state administration which operates in the spirit of kingship, an intellectual life directed from the top, and the anti-market controlled economy, all of which restrict freedom and democracy." In other words, the program states, "a certain proportion of taxes" must be left with autonomous governments, and settlements in disadvantaged or special situations should receive supplemental funds from the state; the public property, public estates belonging to settlement, must be returned; and an opportunity must be established for autonomous governments to pursue their own or joint entrepreneurial actions. The program holds that revenues and assets over which autonomous governments may dispose on their own are indispensable conditions for the revival of local public life, a practice that was discontinued by "Rakosi's autocracy and then by the monolithic system of the Kadar era by smashing flourishing local associations, by making cultural roots wither, and by nationalizing community property."

In its statement the MDF makes apparent that the changing of proprietary conditions is also needed to declare that citizens are "adults." "Our goal is to strengthen small and midlevel existences, to broaden that stratum of citizens which owns property, and to truly appreciate the working man," according to the program. The establishment and broadening of property

ownership would be served by concepts which call for public utilities, whose construction was financed jointly by contributions made by the populace and municipalities—settlements—to remain investor (privately) owned; by returning land ownership to previous owners, and allowing that land to be bought and sold on public auctions; and by enabling employees to purchase shares in industrial enterprises. (The latter two proposed solutions are part of the MDF's privatization program, according to which government commissioners in charge of privatization should be established for each of the latter two, and state enterprise stock should be provided to foundations, local autonomous governments, and social security, and further, part of the external indebtedness should be exchanged for state enterprise stock.)

The acquisition of property is only one element in declaring the adulthood of citizens. "The MDF lays great emphasis on all aspects of individual autonomy and on making the individual independent," according to the program. To achieve this the program finds it necessary that loans be provided for the acquisition of housing and training and to support entrepreneurial initiatives and the process of becoming independent, and that a much larger share of the state budget than at present be appropriated for education and other "human investments," which augment human resources. (Paralleling this, the total state budget should be strongly reduced.) These demands are in harmony with the watchword underscored in the program: "The educated human being living under appropriate financial-income conditions, and secure in regard to his rights and duties, is the most important asset of the modern economy."

#### Quotations From the MDF

The longest segment of the MDF platform pertains to the economy and to agriculture. The following few quotations are from that segment.

"The MDF is aware of the fact that it must formulate its economic policy in due regard to matters it has inherited, as well as linkages, irrespective of whether it will operate as an opposition force or by sharing the responsibility to govern."

"Our program violates the interests of all those who enjoy monopolistic advantages guaranteed by the power, or monopolistic advantages 'deserved' in other ways."

"We disapprove of...the present practice which offers grandiose tax benefits on profits to foreign capital in exchange for incomplete infrastructural services of the country, and for the slowness of the central bureaucracy. Infrastructural, institutional service provisions must be improved instead."

"Reducing the pressure to export which burdens the agricultural sector is also very important from the standpoint of accomplishing structural transformation in the agricultural sector. Therefore the economic leadership should take steps to alleviate the tax burden (interest payments). If this were the case, groups interested in

maintaining the traditional structure of agricultural production would lose some of their strength. All of this would enhance the loosening of power by large agricultural plants, and the establishment of smaller plants suitable for the production of labor intensive, high priced products. On top of this, abandoning the least economical 20 percent (worth about \$280 million) of agricultural exports for foreign exchange would result in budgetary savings amounting to 20 billion forints."

#### New People's Party Chairman Named; Formerly With MDF

25000616B Budapest NEPSZABADSAG in Hungarian  
22 Jan 90 p 5

[Article by Lajos Pogonyi: "Gyula Fekete Is Chairman of the Hungarian People's Party"]

[Text] Author Gyula Fekete was unanimously elected chairman of the Hungarian People's Party [MNP] at Saturday's meeting of the party's steering committee. Janos Marton, who served as managing chairman thus far retained his post, and so did national secretary Csaba Varga. The MNP's national presidium was expanded by including representatives of country party organizations.

At a briefing held during an intermission of the one-day closed-door conference, Fekete told reporters that he had not left the Hungarian Democratic Forum [MDF], an organization in which he served as one of the members of the national presidium; rather, he "came over" instead to the MNP which is close to the MDF. Fekete also announced that in reality he only renewed his membership in the MNP, because in 1945 he was a county secretary of the Hungarian Peasant Party. (It has been reported that the MNP regards itself the successor to the former Hungarian Peasant Party and to the Petofi Party formed in 1956.) Fekete became MNP chairman after party officials talked to the MDF leadership, it was learned at the press conference. They approved of the idea and felt that Fekete's transfer would be useful.

The new party chairman expressed hope that in the upcoming elections the MNP will be able to run candidates in every district. By now, the MNP membership exceeds 10,000, and the number of county organizations doubled recently.

Fekete said that a coalition of the MNP, the MDF and the Christian Democratic People's Party in a possible second round of elections is conceivable.

Transylvanian Hungarian writer Andras Suto, who was elected the MNP's symbolic president of the republic last year, recently wrote in his newspaper SZABAD SZO that he was honored by the offer, nevertheless he was busy in Transylvania at present, reporters were told.

On Sunday we asked MDF board member Andras Gergely his opinion concerning Fekete's discontinued MDF membership.

[Gergely] "I learned of this event from the press, and it was somewhat unexpected. But God be with him! I find it natural that people change their party affiliations. Also the public must get used to that. The populist trend represented by Fekete exists also in the MDF. In any event, the MDF was a collective party when it was formed. Thus it is understandable that since then we 'discharged' many people."

### **Smallholders Parties Wage Verbal Combat, Compete With Platforms**

**Independents Call MSZMP, MSZP 'Bolshevik'**  
*25000616A Budapest NEPSZABADSAG in Hungarian*  
*22 Jan 90 p 5*

[Unattributed article: "Smallholders' Weekend: They Demand Return of the Land"]

[Text] The greatest task of the Independent Smallholders, Agricultural Workers and Bourgeois Party [FKgP, the original smallholders party] is to wage a successful election campaign and to fulfill its historic role, according to party chairman Vince Voros [who spoke] at Saturday's national rally held at the Hungarian Optical Works [MOM] cultural home, announcing the party's platform.

Even before the program points were reported, Jozsef Torgyan, the party's elections office manager told the meeting that in order to implement the Hungarian democratization process it is necessary to remove Soviet troops from Hungary as soon as possible. He stated that Hungary should leave the Warsaw Pact if the FKgP becomes the ruling party. In his further remarks he said that "We will not be able to secure a better life for ourselves unless we settle our accounts with the Bolsheviks." In this relation he felt that it was necessary to hold accountable the leaders responsible for the bankruptcy accumulated during the past 40 years, based both on civil and criminal law. He sharply attacked the Hungarian Socialist Workers Party [MSZMP] and the Hungarian Socialist Party [MSZP], and said that both parties were Bolshevik and were worse than the Fascists.

Torgyan believes that the FKgP will be able to succeed in the elections because "its program is the most radical and most effective among all Hungarian party programs." He supported this statement by saying that members of the FKgP go farthest in differing with the Soviet Union, that they are the ones who demand in the toughest terms that the communists be held accountable, and that it is the FKgP program that spells out in the most consistent terms that land should be returned to the peasantry. Return of the land should be the first business of the new parliament, because historic justice will be done for the peasantry in accomplishing that, according to Torgyan. He promised that food prices can be drastically reduced if they succeed and if the smallholders' land program is adopted.

The FKgP regards itself a bourgeois party based on Christian values. In its program it emphasizes the primacy of private property and supports full entrepreneurial freedom. The agricultural segment is the key element of the program. It states that in terms of land ownership, the same situation that existed [immediately] following the land distribution of the summer of 1947 must be restored.

In debating the program much was said about the National Smallholders Party established by persons who left the party. Several individuals complained about the fact that compared to the significance of those they believe are "heretics," they receive too much attention in the press and in the media.

At a press conference following the national rally, FKgP vice chairman Gyorgy Balogh declared the workings of the conference a success and stressed the fact that the absence of critical remarks at the meeting in regard to the party's work is particularly important.

### **National Party Espouses Primacy of Private Property**

*25000616A Budapest NEPSZABADSAG in Hungarian*  
*22 Jan 90 p 5*

[From the county reporter: "Economic Development Program"]

[Text] The National Smallholders and Bourgeois Party [the splinter party] steering committee held a meeting in Szeged and announced its platform. The party envisions itself right off center within the political spectrum.

A two-part economic development program was adopted. State sector wages would be frozen during the stabilization period, while private sector income would be unrestricted to accelerate the increase of the private ownership share. They would like to introduce a linear tax system in which the tax burden on poor people would be the same as for rich. They would permit the economy to catch its breath by rescheduling foreign debt payments. Social policy outlays must be restricted in the course of nearly 10 years of a bourgeois development program. They are counting on significant unemployment during this period of transformation.

Land must be returned to its former owners, based on conditions that existed as of 31 December 1947. Whoever wants to stay in producer cooperatives may jointly cultivate land that was not asked to be returned by its former owners, if there is any land like that left. Controls over the buying and selling of land must be removed and it should be possible to use land as collateral for loans.

The National Smallholders and Bourgeois Party steering committee elected a 15 member managing board, and a seven member operative committee from among those.

**NEPSZABADSAG Adds Unattributed Comment***25000616A Budapest NEPSZABADSAG in Hungarian  
22 Jan 90 p 5*

[Paragraphs added by NEPSZABADSAG to its two-part report on events related to the two Smallholders parties, without heading or attribution]

[Text] It appears that while respectable efforts are made for the adoption of an ethical code for the election campaign, the sharp and rather coarse attacks that are hardly conceived in the spirit of peaceful transition, and of pure and decent competition do not cease. One may regard Jozsef Torgyan's remarks as one of these, even though as a lawyer he has several times attested to an awareness of what may be, what is, and what is not permitted—for others. In this instance he stated that both the MSZMP and the MSZP are Bolshevik parties, worse than the Fascist.

This is a "rhetorical twist" a responsible politician must not permit himself. Particularly not at a time when one side of the divided smallholders is busy in proving that the other side is Bolshevik. And whoever is Bolshevik, as Mr. Torgyan says...

**Social Democratic Party Protests Election Ad Ban***25000610A Budapest NEPSZAVA in Hungarian  
12 Jan 90 p 5*

[Open letter to chairman of the Council of Ministers Miklos Nemeth by Anna Petrasovits; National Press Service Report]

[Text] "Respected Prime Minister!

"The Social Democratic Party of Hungary was shocked to learn that the Hungarian Television's and the Hungarian Radio's so-called supervisory committee prohibited the broadcast of paid political announcements between 9 January 1990 and 23 January 1990 over the Hungarian Radio and the Hungarian Television.

"This action is contrary to the provisions of 13.(1) and 13.(2) of the election law (Law No 34 of 1989) which permit the unlimited placement and publication of advertisements by political parties beginning at the time when elections are proclaimed, until the end of the election campaign.

"According to Council of Ministers Decrees No. 116/1989-MT of 22 November and 1/1990-MT of 4 January concerning the so-called supervisory committee, the authority of the so-called supervisory committee does not extend to the commercial activities of the Hungarian Radio and the Hungarian Television, and thereby to the broadcasting of the parties' paid political announcements.

"It is our position that the so-called supervisory committee exceeded its authority and that it acted without authority and contrary to law.

"This arbitrary, groundless, and sudden change in campaign rules after the commencement of the election campaign severely endangers [the parties'] equal opportunity in, and the purity of the elections."

**Nomination, Election Procedures, Abuses Discussed****'At-Large' (Regional) Slate Concept Clarified***25000616E Budapest NEPSZAVA in Hungarian  
23 Jan 90 p 5*

[MTI Report: "Nominations in Election Districts"]

[Text] One of the novel features of the election of National Assembly representatives is the at-large slate. National Election Committee secretary Pal Kara reviewed this matter.

There are 20 at-large voting districts in the country: Budapest and the 19 counties. In the 20 at-large voting districts, 152 representative mandates may be obtained. These mandates are available to parties only; they may run candidates on at-large slates.

The most important thing to know is that in these cases citizens vote for parties, and have nothing to do with the names listed on the slate of candidates!

The individual and the at-large election committees respectively register candidates running in both the individual voting districts and on slates. Beyond nominating a candidate, registration of a candidate also requires a statement from the candidate as to whether he has a right to vote, whether he accepts the nomination, and whether he holds an office incompatible with his representative mandate.

**Nominating Process Described***25000616E Budapest NEPSZAVA in Hungarian  
23 Jan 90 p 5*

[Interview with National Election Committee secretary Pal Kara by "M. P.": "What To Do With the [Nominating] Slips"; date and place not given]

[Text] Activists of a few organizations are already urging voters to nominate one or another politician. There is no need to hurry: voters have until 23 February to make nominations. National Election Committee secretary Pal Kara told NEPSZAVA about a few other practical matters.

[NEPSZAVA] How do citizens obtain Notices of Voter Registration-Nominating Slips ["kopogtato cedula"]?

[Kara] The State Census Office and local councils everywhere provide for distribution. In most places they entered into contracts with the Postal Service, meaning that generally these documents will be delivered by mail.

The important thing is that there be a record of the fact that a citizen received this document; citizens should sign a receipt.

[NEPSZAVA] Is it mandatory to save this slip?

[Kara] One may vote without the slip, as long as the citizen's name is on the voters' list. The primary function of this document is to notify voters. At the same time the administration of elections becomes significantly easier if citizens carry on them this document and present it at the polling place. This would eliminate a lengthy search for their names on the list.

[NEPSZAVA] The present document is larger than the one from December; namely, at this time it also includes a nominating slip. By completing these slips citizens may recommend candidates for representative offices in election districts. Is it correct that all that has to be done with these slips is to hand them over to party activists who come to the people's homes?

[Kara] Or they need not be handed over. Everyone does what he believes to be appropriate. The nominating slip does not obligate the citizen to cast his ballot in the elections for the person he nominated. This is in part a consequence of the secret ballot. In part, it is not certain that our nominee acquires the minimum of 750 nominations needed. In the latter case it is obvious that one must, can vote for someone else.

[NEPSZAVA] Is it possible for a person residing let's say in Nyiregyhaza to nominate a politician from Nagykanizsa?

[Kara] No, it is not. In individual voting districts one may select only from among citizens who reside in one's voting district. Politicians residing outside of one's voting district may be elected only indirectly, as a result of votes cast for parties, assuming that the politician selected appears on one of the party slates.

[NEPSZAVA] What can we do to prevent situations in which certain party activists try to ask children to hand to them their parents' nominating slips.

[Kara] I can imagine that anything could happen, or the opposite, after what happened on Sunday, a case in which it turned out that nominating slips got into unauthorized hands. But no law can be framed on the assumption that no one will abide by it from the outset.

[NEPSZAVA] What sanction can be invoked against those who abuse this system?

[Kara] The election law makes it a crime for example if anyone attempts to vote twice. This is punishable by up to three years in prison.

[NEPSZAVA] How would it be possible to filter out experimentation with some new kind of "blue slips"?

[Kara] This creates quite a lot of added work. It is conceivable that individuals participating in the elections demand that all nominating slips applicable to one or another person be checked. This can be accomplished, but what are we going to do about the lack of confidence that will spread as a result?

### **Nominating Process Control Mechanism Described**

*25000616E Budapest NEPSZAVA in Hungarian  
23 Jan 90 p 5*

[Text] Blank Notices of Voter Registration-Nominating Slips found or acquired cannot be used for the nomination of representatives, the Election Office of the State Census Office said in conjunction with the fact that several blank forms were found in Budapest. According to the provisions of the election law nominating slips contain either a computerized identification code, or serial numbers if they were issued by local councils. And personal identification numbers appear on all slips, irrespective of whether they were computerized or were completed by local councils. In any event, nominating slips are valid only if a candidate is designated on the slip, and if the voter affirms that designation with his signature. The office is making an offer to all independent candidates and to all parties to identify persons making nominations with the help of either their central or their local computer systems continuously, so that possible mistakes be screened out on time. Possibilities of abuse are ruled out thereafter by virtue of the personal identification number and the original signature. Asked how these nominating slips got into unauthorized hands, the office said that the matter is being investigated by the Ministry of the Interior.

### **Coalition Crisis Management 'Bridge Group' Described**

*25000652E Budapest NEPSZABADSAG in Hungarian  
2 Feb 90 p 6*

[Article, and interview with Gyorgy Matolcsy, "Bridge Group" coordinator, and Gyorgy Suranyi, National Planning Office state secretary, by "G. Zs.": "The First 60 Days of a 100-Day Program"; date and place of interview not given]

[Text] The Bridge Group was called into being by an intent to establish a coalition crisis management program prior to the emergence of a new government. The program serves as a bridge between the parties, and was formed last December at the initiative of Gyorgy Soros, the Hungarian Democratic Forum [MDF], the Alliance of Free Democrats [SZDSZ], and independent experts. The group represents significant intellectual assets. Its members include Ede Bako, Laszlo Csaba, Bela Kadar, Karoly Attila Soos, and Marton Tardos. The group prepared its so-called 100-day program within weeks, but for technical reasons it was delivered to the prime minister only 10 days ago.



The crisis management program is based on four topics: the foreign balance of payments, inflation, the budget deficit, and measures to strengthen confidence. Although the program received its name as a result of the fact that at the time it was developed the government had 100 days left to correct its conduct manifested in the course of managing the crisis, that time period was reduced to 60 days by the time the exchange of ideas between the two sides took place yesterday. The government was represented at the meeting by state secretaries and deputy ministers, while all members of the Bridge Group appeared except those who were abroad.

At 0900 hours it appeared that even a sharp confrontation could take place, but as the hours passed and the negotiating parties familiarized themselves with each other's considerations and limited possibilities for action, the viewpoints came closer to each other on an increasing number of topics. It is possible that in the end views regarding possible actions would have differed only in regard to a few points, had it not been for the fact that dialogue had to be stopped in the sixth hour because of the participants' other engagements.

[Matolcsy] The fact that the government dealt with our proposals with such intensity indicates that even in the course of the final weeks it wants to do something by all means. When we prepared our program in late December we envisioned an opportunity to present certain issues requiring legislative action to Parliament. By now there is very little chance for that. Nevertheless, we were able to agree upon a few possible measures which may be taken without a parliamentary decision, while some other proposals of ours may be placed before the next government and parliament.

[NEPSZABADSAG] How would you summarize the difference between the outlook held by the government and the Bridge Group?

[Matolcsy] We are more pessimistic about the 1990 economic year than the government from the figures shown in the plan. If we are correct, the new government will be able to institute corrective measures we now recommend only in early summer, because in the midst of changing political systems one may assume that economic problems will be placed on the sidelines.

[NEPSZABADSAG] How does the National Planning Office state secretary view these matters?

[Suranyi] In a similar manner. I agree with what Matolcsy said. I will add this: The self-movement of the apparatus may perhaps help the country through the power vacuum which definitely exists prior to the elections. I am confident that the new government will also have greater credibility in accomplishing the recommended measures, among them for example the recommended inflation-curbing wage regulations.

[NEPSZABADSAG] Do you agree that in the end the differences pertain only to a few issues? Could it be that

one of the reasons for this is that the persons sitting at the two sides of the table were brought up in the same school?

[Suranyi] I do not believe that there are fewer differences of opinion within the Bridge Group than there were here today between the two sides of the table.

### County Newspapers Seek Independence From MSZP

25000616D Budapest NEPSZABADSAG in Hungarian  
23 Jan 90 p 5

[Article by Imre Berki: "The Jasz-Nagykun-Szolnok County NEPLAP Initiative: Let County Daily Newspapers Be Fully Independent"]

[Text] How could county daily newspapers be independent in a political sense, if they are financially dependent on the Hungarian Socialist Party [MSZP]?

Journalists at the Jasz-Nagykun-Szolnok County NEPLAP have been pondering this question for months. As of recently there were no editorial meetings at which this subject was not discussed. Most recently they argued about the contradiction of the issues of political independence and financial dependence at the National Association of Hungarian Journalists [MUOSZ] group meeting the other day. In the journalists' view the independence of county newspapers amounts to a declaration only as long as their publishing enterprises are owned by the MSZP. This kind of independence is not accepted by the public either. The time has come to permanently settle this issue, because transfer of half of the taxed profits to the party coffers is due now, and such transfer would also have a political impact just before parliamentary elections.

Journalists at NEPLAP decided that they will address the president of Parliament in an open letter in this regard, and will call upon the editorial offices of county newspapers to join in this effort. The open letter expresses their agreement with the 16 January position adopted by the cultural committee of the National Assembly which calls for the acceleration of rendering county newspapers independent. They request that Parliament render a decision which ensures the full independence, and the intellectual, political and financial autonomy of county newspapers, and which enables these newspapers to be independent of any party. Further, they request that newspaper publishing enterprises be able to manage themselves independently, and that all of the taxed income be left with them. This is necessary because inflation threatens the very existence of daily newspapers.

Thus far, the open letter initiated by the journalists in Szolnok was joined by KISALFOLD, the TRANS-DANUBIAN NAPLO, NORTHERN HUNGARY, ZALA MEGYEI HIRLAP, HEVES MEGYEI NEPUJSAG, KOMAROM MEGYEI DOLGOZOK LAPJA, and the SOMOGYI NEPLAP.

## Parliament Approves Financial Disclosure Law

### MSZP Supports Disclosure

25000649 Budapest NEPSZABADSAG in Hungarian  
25 Jan 90 p 5

[Unattributed article: "Call for Financial Statement"]

[Text] "In recent times the Hungarian Socialist Party [MSZP] has been attacked with increasing frequency. The past doings of some MSZP leaders—abuse of power, corruption—are made to appear to the public as if every member of the party would pursue such practices," according to Csaba Hamori, leader of the MSZP faction in Parliament. He will soon make an independent motion in the House.

Hamori says that his initiative calls for everyone who has occupied a high level state or party office during the past 10 years, or who thereafter strove for such ranks, to make a financial disclosure statement. In the representative's view this would extract the venomous tooth of slander: Anyone brought under the cloud of suspicion by his opponent could thus clear himself in a simple, quick, and, most importantly, incontrovertible manner.

The proponent of the bill further suggests that candidates for parliamentary seats should also make financial disclosure statements after they have submitted the 750 slips needed for nomination. Financial disclosure statements would be preserved by an independent organ, body, or office designated for that purpose. The statements would be publicized only if needed to uphold a person's honor.

### Scope, Applicability Debated

25000649 Budapest NEPSZABADSAG in Hungarian  
2 Feb 90 pp 1, 4

[Excerpts from a report on the legislative proceedings of 1 Feb]

[Excerpts] A few minutes after 0900 hours Lajos Horvath, presiding, bade good morning and good work to the representatives assembled. The truth is that rather few representatives, altogether 236, were present, even though on Wednesday evening the House had concluded its work earlier than planned because it lacked a quorum, thus actions requiring the approval of a qualified majority had been postponed until Thursday. But all that was in vain.

Horvath announced that Zoltan Kiraly and Erno Raffay had made an independent motion calling on the National Assembly to establish a special committee to investigate persons responsible for the country's present situation. Csaba Hamori's similar motion included a provision which requires that persons holding high public offices, as well as national officers of political parties and social organizations, make good moral conduct and financial disclosure statements. On

Wednesday, the committee on law, government administration, and the judiciary discussed both proposals. The committee's action forged a compromise solution: Those involved would submit individual legislative proposals to Parliament, to be accompanied by a National Assembly resolution. Incidentally, the committee on law, government administration, and the judiciary expressed its support of both legislative proposals.

Thereafter, some sharp, on occasion passionate, debate evolved, even though in his introductory remarks the president had said that the two viewpoints had been reconciled somewhat.

*Raffay:* First of all, the approach taken by the legislative proposals that Csaba Hamori and I introduced differ in terms of two fundamental factors. Mr. Representative Hamori suggests that financial disclosure statements be filed by certain persons who occupied party and state positions during the period beginning on 8 June 1980, i.e. the day the then National Assembly convened, that is from the elections to the present. In contrast, I propose that this time period be established as starting 1 January 1968 and ending 1 October 1989. I would think that if the National Assembly does not feel that it has jurisdiction over decisionmaking concerning the recognition of members of the next parliament, the one to convene after the 25 March elections, this parliament should not make decisions concerning financial disclosure statements to be submitted by the leaders of the new parties. The next parliament should render those decisions.

*Hamori:* Throughout the debate I rejected the idea that we subject entire social and occupational categories to investigations seeking criminal wrongdoing. I rejected the idea that under the pretext of holding individuals accountable, hundreds of thousands, whose overwhelming majority consists of decent, honorable people, should have to account for their actions. I rejected the idea that anyone could intimidate the masses of people who work in government administration. This is because I am convinced that a cleansing campaign of this nature would deteriorate into a witch hunt, aside from the fact that it would consume immeasurable energies.

*Dr. Frigyes Tallosy:* As far as the proposed National Assembly resolution is concerned, it satisfies the need to determine the order of the mandate, composition, and functioning of the committee to be established, in every respect.

*Dr. Karoly Eke:* In debating these two proposals we must start out from the facts. And the fact is that they ruined this country. This must be the starting point in my view, and it is the path that led us here that must be made the subject of examination. This is what the people demand. The subject of the examination is this: Persons who have received higher than average compensation, who have come into a better than average financial situation as a

result of their functions, should account for such situations. May I ask a question from my fellow representative Kovacs, who spoke yesterday? Is it true that he was the Hungarian Socialist Workers Party [MSZMP] first secretary in Oroszlany?

*Horvath:* I request a moment of patience. We will return to this subject in the framework of another agenda item. I ask my fellow representative to pose this question at that time.

*Eke:* Thank you very much. But even until that time my fellow representative Matyas Kovacs should ponder this matter.

*Horvath:* Remarks by Miklos Tamas Gaspar are next.

*Tamas Gaspar:* At the moment, Hungary is the only place in Eastern Europe where there is no witch hunt going on. I would like this condition to be preserved. I believe that we are under the pressure of public opinion; public opinion indeed wants to see an accounting. Despite this fact we must preserve the ideal of sober and legitimate proceedings, the ideal of moderation. Hungary is proceeding toward a democracy not in a revolutionary way, but through reform; not through cataclysmic events, but gradually. We are not fighting against individuals; we want a change of the guard. This is why it must be expressed that although there exists in this society a desire to take revenge, the desire to witness a reckoning, this kind of desire must be objected to by every responsible political force, even at the price of becoming unpopular to a certain extent.

*Pal Fillo:* I agree with those who say that the populace of this country want to see an accounting and not a reckoning. It would not be beneficial to turn our backs on the oft-emphasized constitutional statehood and let these issues be decided on the streets.

*Mrs. Attila Toth:* If it is true that we do not want to conduct a witch hunt in the historical sense, then I feel that the motion made by my fellow representative Hamori is very much warranted, to subject the past, present, and future actors of political life to financial disclosure.

*Sandor Dauda:* Based on the opinion of my legal advisers, I can say that composing and publicizing a political kulak list is illegal. It violates personal rights protected by international agreements and by Hungarian laws. If you have doubts about what I am saying please read sections 57, 59, and 70 of the constitution. My fellow representatives Kiraly and Raffay, among others, together with virtually all political leaders, declared and emphasized that this year's elections must be conducted in a calm atmosphere devoid of slander.

*Lajos Varga:* If we want to hold hundreds of thousands of persons accountable at this time, I simply do not know whether the next 10 years will be a long enough period of time for that.

*Mrs. Soltesz, Ilona Padar:* We should be very careful about the fact that this work serves the purpose of reconciliation, because I find it intolerable if every two or three decades Hungarians must prepare themselves for an accounting.

*Katalin Zsolnay:* The bulk of public opinion we so frequently mention consists of simple, decent, honorable people. These people want to work, they want to receive wages commensurate with their work performed, and they would like to enjoy a good life. They do not want to look backwards all the time and seek criminals and responsible parties. I would like us to look ahead too, not always backwards, because in doing that we are wasting time.

*Dr. Laszlo Lakatos:* I seek the floor as a defendant of the third degree, on the grounds of human rights. You will hear me demand that we agree with the idea of holding people to account! I want to account for my assets to those I serve. In this house we are adopting laws, so that we may start out on our path of acquiring a European character in a peaceful, democratic way. I would not like to see the day when this or even the next parliament changes this situation, because if that happens we will be hauntingly close to a situation which our generation witnessed in its childhood, which we have witnessed in adult life, and of which we may become the passive, if not hanged subjects in the twilight of our lives.

*Dr. Elemer Kiss, Chairman of the Office of the Council of Ministers:* Past members of the government may seek the use of a car for up to 3,000 km each year; past heads of state, heads of government, and presidents of the National Assembly have 5,000 km allotted. As pensioners they may utilize the services of the Central State Hospital. There are no other benefits or privileges to which state leaders are entitled.

*Mrs. Jozsef Vass:* I would like to ask a question from the proponents. Why have they not proposed anything for the same period of time regarding persons serving in leadership positions in the economic sphere?

*Sandor Csipko:* A new societal model is being built. It is possible to live in this societal model in both an honorable and a dishonorable way. What legacy should we bestow upon those young people who envision a shining future today? So that they remember who today's politicians were, will there be another need to hold people accountable, perhaps because in 30 or 40 years?

*Imre Antal:* I would conclude with a joke about Kohn. Kohn is traveling with Schwarc on the high seas. Schwarc says: Kohn, the boat is sinking! Kohn laughs out loud: Never mind, it's not your boat that is sinking. I would not place emphasis on economic leaders, but on the direction provided by the party, on the examination of the past leading role of the MSZMP.

*Ferenc Kallai:* The truth that was spoken originated from people who had already begun suffering from the system

in 1947. There is much rhetoric here but few constructive proposals that appeal to the human soul, to consciousness.

*Raffay:* Not only the leaders of the present parties, but all present representatives should make financial disclosure statements.

*Hamori:* Consistent with the views of the committee on law, government administration, and the judiciary, I believe that it would be a mistake to extend the present examination to the rather broad and hard to define group of economic leaders.

*Dr. Karoly Mezey:* I propose that previous leaders accomplish financial disclosure by 25 February, and the national leaders of presently functioning parties and social organizations make such disclosures at a later date, let's say by the middle of April.

*Horvath:* Since substantive amendments were introduced in the course of debate, I am referring those to the committee on law, government administration, and the judiciary. [passage omitted]

After lunch the National Assembly continued its proceedings, Mrs. Robert Jakab presiding. Discovering the empty seats, the president suggested the absence of a quorum. The quorum was established with the arrival of a running Janos Berecz, and thus the representatives were actually able to deliberate.

Raffay was first to summarize the remarks which came in response to his legislative proposal calling for financial disclosure statements to be submitted by certain leaders who performed state and party functions. He succeeded in clarifying briefly the misunderstanding manifested by representative Mrs. Attila Toth. The House proceeded to vote on an amendment introduced by Mrs. Vass to Hamori's similar legislative proposal. The amendment called for the submission of financial disclosure statements by previous economic leaders who were responsible. The amendment was rejected.

It was at this point that the time had come for representatives to cast their votes on two, substantively very similar, legislative proposals. The similarity can be seen in the fact that by then the only difference between the two proposals was that certain state and party leaders would be obligated to make financial disclosures beginning in 1980 according to the Hamori proposal, and beginning in 1968 according to the Raffay proposal. In the end, representatives approved the Hamori proposal and also approved of the establishment of a parliamentary committee. [passage omitted]

That afternoon the losers included government commissioner Botond Bercsenyi. His reply given to Eva Balla regarding holding the MSZP accountable for its property was rejected.

### Text of Law

25000649 Budapest NEPSZABADSAG in Hungarian  
2 Feb 90 p 4

[Part of a report on the legislative proceedings of 1 Feb]

[Text]

### Law Concerning Financial Disclosure To Be Made by Certain Leaders Who Have Occupied State and Party Positions

1. Members of the Presidential Council, members of the Council of Ministers, state secretaries, chairmen of county (Budapest) councils and councils of cities having the authority of counties, and further, members of the Politburo, and secretaries and division directors of the Central Committee of the Hungarian Socialist Workers Party, the first secretaries of MSZMP county (Budapest) or cities having the authority of county committees, and further, the national leaders of presently operating parties and social organizations shall submit a financial disclosure statement to the National Assembly committee established for that purpose.

2.1. At the request of the National Assembly committee, the Tax and Financial Control Office shall check the contents of financial disclosure statements, pursuant to criteria established in separate legal provisions. The purpose of such control is to determine whether financial disclosure statements were based on true facts.

2.2. In other respects the contents of financial disclosure statements are governed by separate legal provisions.

3. This law is to take effect on the day it is proclaimed.

### Jurist Claims Police Power Unrestricted Despite New Rules

25000650E Budapest NEPSZAVA in Hungarian  
30 Jan 90 p 5

[Interview with Peter Hach, scientific associate of the ELTE [Lorand Eotvos University of Arts and Sciences] Law and Political Science faculty, by Gyula Mezovari: "Ministerial Decision Concerning the Veiled Death Sentence"; date and place not given]

[Text] For decades we did not have the faintest idea of the authority policemen have, because we could not learn about such matters. In more accurate terms: Everyone thought that a policeman had the authority to do anything. A few days ago the police rules of conduct were made public; anyone may read them. But it remains doubtful whether an awareness of prescriptions contained in 578 sections facilitates the job of policemen. Just as it remains doubtful what affected persons suspect: that police power continues to be virtually unlimited. We discussed the value of publishing this decree and the character of the decree which reflects a transitional state of affairs with Peter Hach, a scientific

associate on the faculty of the Lorand Eotvos University of Sciences, Law and Political Science Department.

[NEPSZABADSAG] Up to this point the secrecy surrounding the rules of conduct was "defended" on the grounds that no one can be held to account as long as the the populace has no access to rules governing police action. In your judgment, is it really only in the interest of the citizens that this decree be made public?

[Hach] These rules of conduct should have been publicized years ago. This is in the interest of both the police and the populace, just as it is to know that a law governs the steps taken by the authorities. The rules of conduct also protect the policeman. If these prescriptions suggest that as long as you listen to me, or if you follow the rules, you can do whatever you want to do, the policeman will find himself in a conflicting situation all the time: Now you must, now you may, now you are not permitted to do this or that. In my view, the rules made public now are of this nature. On the basis of these it is very difficult to decide when the policeman is performing his duties.

[NEPSZABADSAG] Part of the decree defines the coercive and the so-called simple police actions. Establishing rules which affect the personal rights of citizens directly and in a sensitive manner should hardly be under the jurisdiction of the interior minister.

[Hach] In England a similar issue was debated in Parliament for two years. As far as we are concerned the only essential matter in this regard is that the British very accurately sensed the fact that they were providing broad authority to the police, and that it is very important that this police, empowered with broad authority, perform its duties consistent with the public trust. This outlook is still missing in Hungary. Although these legal provisions were issued by the minister of the interior, no one could believe that the minister of the interior himself could make decisions concerning the possibility of a potentially irreversible violation or irreparable limitation of citizens' rights.

[NEPSZABADSAG] For example the possibility that the policeman may use his weapon.

[Hach] In the final analysis, the use of a weapon carries the potential of a veiled death sentence. In other words, if the policeman is authorized even to shoot a person to death, one should think through in great detail the kinds of criminal acts in regard to which the use of a weapon is permissible at all.

[NEPSZABADSAG] The rules enumerate these: for example, to prevent the commission of a serious crime, in case of crimes against the state, armed prohibited border crossing, robbery, looting, and damaging of historical sites.

[Hach] The fact that the Criminal Code of Laws recognizes that in regard to certain criminal acts the death sentence is not warranted, presents a peculiar contradiction. At the same time, the police rules of conduct permit

the potentially deadly use of weapons, let's say, in cases of robbery or looting. It provides an overly broad authority for the use of weapons. That is, a situation could occur in which they could kill or cripple someone, when allowing him to complete the criminal act would have caused less damage than his own death becoming crippled for life. Accordingly, consideration must be given to the issue of whether defense of property is proportionate to the damage caused to property. Certainly, the use of weapons may be warranted. I do not intend to question that. But the rules do not reveal why the enumerated criminal acts in particular are the ones that are within the ambit of this possibility.

[NEPSZABADSAG] Accordingly, it appears that the decree just published is fundamentally based on the earlier, secret traditions.

[Hach] These are fundamentally the old rules, with a few elements from new legal provisions. It is apparent that they were not worked out and thought through in a systematic manner; a certain kind of haste may be sensed if one views its composition. It is totally incomprehensible, for instance, what the concepts of justified self-defense and life-threatening emergency are doing under the conditions which govern drunk policemen going on duty. If a person takes action in the form of justified self-defense or in response to a life-threatening emergency it makes no difference whether that person is a policeman. The old outlook is also reflected in the fact that the general duties of the policeman include the presentation of vagrants, beggars, and homeless people. For example, the rules permit the police to deprive a person of his personal freedom for a period of eight hours—if particularly warranted. The basic case, the general rule, however, calls for four hours. The two cases would have to be delineated clearly and accurately, because otherwise the time taken for presentation will always be eight hours, and they will always say that in that particular instance holding the person is particularly warranted.

[NEPSZABADSAG] In earlier days, just as today, most conflicts originated in a policeman asking a person to identify himself. In your view, is this matter regulated satisfactorily from the standpoint of both citizens and policemen?

[Hach] Neither the policeman nor the citizen may learn from these rules who must or who may be asked to identify himself, because the rules provide that a person must or may be asked to identify himself if necessary. But nothing is said about the basis upon which the policeman will decide whom it is necessary to ask to identify himself. There is also an example of an old rule and a new rule in one and the same passage. When a policeman takes action he is obligated to introduce himself. Nothing has been said about this matter thus far; this is the new element. The old provision follows thereafter and has this to say: A policeman is identified by his uniform and he should introduce himself if asked to do so. On top of this, both requirements lose their

meaning and become mere polite gestures if in the near future one can clearly read the policeman's identification number on his uniform.

Research shows that in many cases violent action against official persons is provoked by mistaken action taken by the policeman, and a majority of these cases begin with the policeman asking a person to identify himself. The law should define more closely the persons to be asked to identify themselves. As a result of brief and intensive analysis, based on available data, it could be shown how many times and under what circumstances this kind of police action has produced results. Also, guidance could be provided to policemen going on duty in focused, daily orders.

[NEPSZABADSAG] Accordingly, could the sole advantage of the new rules of conduct be that they were publicized?

[Hach] This represents half a step ahead. Half a step, because we all know by now that the police are indeed permitted to do many things. I believe that we are better off being aware of this, but it would be even better if we could read in a decree that indeed, the police are operating within constraints, indeed, within rational constraints. In my judgment these rules leave the policeman open to criticism because he will not be able to decide on the basis of the rules provided whether he is acting properly. In the end, his superiors would hold him to account on any basis they want to, because, based on the prescription, the policeman would have to perform very many duties.

### **Workers Guard Liquidation Progress Report**

90EC0237A Budapest NEPSZABADSAG in Hungarian  
5 Jan 90 p 9

[Interview with government commissioner Dr. Nandor Gruber, by F.K.: "Did the Liquidation of the Workers Guard Also Incur a Loss?"; date and place not given; first paragraph is NEPSABADSAG introduction]

[Text] We asked Commissioner Nandor Gruber, who heads the group assigned the task of sequestering and liquidating the Workers Guards' properties: What is the status of this work?

[Gruber] The inventory has already been completed, but I cannot give you accurate figures because they are still being checked. However, I can tell you a few things: The present value of the real estate properties is greater than their book value; this is attributable in part to inflation and in part to the prevailing market conditions. The resort at Badacsony-tó will probably sell for 1.3 billion forints, instead of the 640 million that is listed in the books. I can give you examples of the opposite situation, as well. Even though training and pyrotechnic equipment have a certain value assigned to them on the books, our defense forces are not interested in them and we could not sell them to anyone else; their value, therefore, is practically zero.

[NEPSZABADSAG] How much will profit obtained from liquidating the Workers Guards' properties contribute to the national treasury?

[Gruber] Nothing, because we have to use the profit to cover the expenses of liquidation. And that, unequivocally, is a losing operation; it will cost about as much as operating the Workers Guard for six to seven months.

[NEPSZABADSAG] How much of the properties did you manage to sell thus far?

[Gruber] When we auctioned the four largest items—the national headquarters, the central training institute, and the two resorts—we received more than 30 bids. The right of making the final decision belongs to the government. To take care of certain emergency situations, we decided not to use auctioning as a method of liquidation in a few cases. Thus, for example, in Budapest we turned two buildings over to the municipal council to assist homeless people. In Barcs the local court moved from its deteriorating building into the one formerly used by the Workers Guards. When offices of the Central Statistical Bureau vacate their condemned 25-story building, we intend to move them into the building formerly used as the Workers Guards' county headquarters.

[NEPSZABADSAG] How do you sell moveable assets?

[Gruber] We have sold the automobiles through the Merkur (automobile distributing trust). No one had any purchasing privileges in that situation! The other assets will be sold through the network of state commission stores, but not everything will find buyers. For example, we have offered to donate the black-and-white television sets to welfare, health, and child-care institutions.

## INTRABLOC AFFAIRS

## CEMA After Sofia: Growing Disarray

## Situation Overview

25000610B Budapest HETI VILAGGAZDASAG  
in Hungarian 20 Jan 90 pp 4-6

[Article by Ivan Szegvari: "CEMA Future: A Past That Cannot Be Brought to an End"]

[Text] Will it cease to exist, will it disintegrate into bilateral relations, will it be the subject of a deep-seated renewal, or will new groupings emerge alongside the organization, or in its place? Guessing continues in regard to CEMA's future. The way the author of this article sees it: Insofar as market-based integration is concerned, East Europe is at the very beginning of finding its path, for the time being.

Whenever the situation is ripe, it is relatively easy to change governments, ruling parties and ideologies. Fundamental economic rearrangements however, do not take place pursuant to this prescription. This appears to be proven also by CEMA's latest session held in Sofia. Contrary to increased expectations, the future of the organization was not decided just then and there. CEMA's present problems and their solutions must be found in bilateral relations, because all the truly essential elements of cooperation—plan reconciliation, contingents, pricing, trade administration, and settlement—have been determined and realized on a bilateral basis.

In the aftermath of last year's great political house cleaning it appears that there is agreement among CEMA member countries in regard to the idea that their relationship and cooperation must be placed on market foundations. Nevertheless much of the worth of this agreement is lost as a result of the fact that the agreement stalls at the level of broad generalities, or at the point of firmly condemning the past, while the picture remains confused in regard to the "how" question, to put it mildly.

Even within the member countries the fundamental correlations of a transition to a market economy have not been clarified. Bulgaria, Czechoslovakia and the German Democratic Republic [GDR] did not even have time to accomplish this, while the reform process has definitely stopped short in the Soviet Union. Only Poland and Hungary, (and Yugoslavia outside of CEMA) have a more or less considered program for the establishment of a market economy, the implementation of which has begun. Despite all their differences, these programs are identical in the assumption that a market economy can be established in the short term as a general system, and that at the same time the economy can be stabilized in the framework of a radical reform package accompanied also by serious sacrifices made by society. This reform package includes comprehensive liberalization, the introduction of convertible currencies, strict monetary policies and not to the least, significant Western aid.

It would be impossible to separately implement the dismantling of the old system and the gradual introduction of the new, even though by virtue of the inner logic of the process the dismantling of the old system is more advanced than the introduction of the new. Except for the fact that during "periods of transition" it is not possible to put a "closed for renovation" sign on national economies.

The pace at which market conditions become prevalent is influenced everywhere by the indebtedness crisis, the possible extent of structural change and Western orientation, the tolerable level of unemployment and of social tensions, the possible extent to which the central redistribution of income may be decreased, the time needed for proprietary reform (privatization), the strength of those opposed to reform, and by lasting political instability, frequent government crises, and reverse rearrangements that occur in the wake of unavoidable errors.

These characteristics of the economic and political situations of the member countries set limits to the sphere in which their external economic—including CEMA—relations may be reformed, and rule out the possibility of an instant, full conversion to a market economy. At the same time they also rule out the possibility of the continued, unchanged survival of traditional CEMA cooperation, because that has been eroding continuously for years on a spontaneous basis. The ground has slipped out from under traditional plan coordination, and not only the performance, but also the consummation of interstate agreements has created increasing concerns. It is becoming increasingly difficult to abide by the present rules for pricing, some unmanageable tensions have evolved by now. The cooperative practice followed thus far has become an apparent obstacle also in the path of national reform processes.

Could settlement based on dollars and the new cooperative mechanism built on this concept provide a solution in this situation? Above all, a sharp distinction must be made between two things. One of these is the fact that once convertible foreign exchange is fully liberalized, foreign trade conveys interenterprise relationships directly influenced by value judgments made in the world market. At this point it becomes indispensable for partner countries to have developed market economies and convertible national currencies. Otherwise the external relations cannot become fundamentally liberalized either, the effects exerted by the external market would be constantly adjusted by internal regulations, and the interests and conduct manifested by enterprises would be determined by the domestic quasi- or nonmarket fiber from the outset. Value judgments pronounced by the external market cannot be those pronounced by the world market, if a trading partner's country does not operate on the basis of a market economy. However enthusiastic one may be about the pure market alternative picture presented by dollar-based settlement, this can be hardly realized now or in the near future.

In the framework of the other alternative in which the dollar would act as a clearing currency (i.e., among each other, the countries involved would account for their deliveries retroactively on an annual basis in this currency), compared to the world market, trade would continue to be transacted under more or less distorted price conditions, largely on the basis of interstate agreements and of separate internal regulations. Irrespective of intentions and determinations, East Europe's present economic features provide an opportunity only for this, less attractive form of cooperation for the time being.

The actual question and task boils down to this: How would it be possible to develop market conditions in the framework of clearing relationships, and further, to gradually develop clearing trade in the direction of multilateral trade. Several opportunities present themselves to accomplish this. They could settle the increasing part of clearing balances in convertible currencies, they could reach overall interstate agreements that are more flexible and more marketlike than before, they could enforce competition at a large scale in the framework of domestic regulation, and they could develop truly liberalized interenterprise cooperation parallel with centralized commerce. Increased prevalence of the latter may represent the primary developmental path for market conditions.

The present situation and tasks that confront the East European region are in many respects similar to those of postwar Western Europe. Between 1948 and 1958, Western European countries removed quantitative restrictions layer by layer and gradually rendered their currencies exchangeable among each other and ultimately convertible. Gradual market integration of this character is a historic necessity in East Europe. It is possible that this process will evolve at a faster pace within a tighter group of countries than in the region as a whole, but in any event efforts do not point in that direction for the time being. Expectations are tied primarily to Western aid, to the importation of operating capital, and in general to the chances of following a separate path. The way I see it: many illusions are attached to the short-term possibility of a transition to a market economy, and to the establishment of a full market base among countries regarded as leaders in reform. The pendulum of intentions and expectations has swung well beyond the realm of realities.

It seems that also in the context of reform endeavors one can learn only from his own errors. It is hoped that this will take place at a relatively fast pace and with the least possible sacrifice.

**Hungary's Trade With CEMA Countries**

Country	Currency (in millions)	1985		1989	
		Export	Import	Export	Import
Soviet Union	Ruble	4,584	4,233	4,542	3,982
	Dollar	393	164	255	33
Czechoslovakia	Ruble	851	726	949	849
	Dollar	25	17	34	47
Poland	Ruble	490	597	500	550
	Dollar	63	60	64	27
GDR	Ruble	917	971	1,023	1,088
	Dollar	24	9	31	24
Romania	Ruble	258	248	283	274
	Dollar	7	11	5	12
Bulgaria	Ruble	200	222	116	147
	Dollar	14	1	15	6
Mongolia	Ruble	10	7	14	10
	Dollar	—	—	—	—
Vietnam	Ruble	37	17	37	30
	Dollar	—	—	0.5	0.3
Cuba	Ruble	124	27	73	23
	Dollar	6	—	12	—
CEMA Total	Ruble	7,471	7,048	7,537	6,953
	Dollar	532	262	416.5	149.3

Source: Ministry of Commerce



**Soviet Proposal Compared; Superior Czech PR**  
 25000610B Budapest HETI VILAGGAZDASAG  
 in Hungarian 20 Jan 90 p 5

[Article by Ibolya Jakus: "Everyone Would Do It Differently"]

[Text] The Czechoslovak bomb did not explode at last week's CEMA session after all. There were no ultimatums, no one walked out, moreover, the Czechoslovak delegation manifested the greatest enthusiasm in "neutralizing the combustible elements" contained in earlier statements.

The Czechoslovak statement—since then oft denied, retracted, and declared to have been misunderstood—served the purpose of calling worldwide press attention to a session that promised to be business as usual if judged by its original agenda. In this instance, television cameras, photographers and reporters buzzed various chiefs of delegations in a manner one is accustomed to see in regard to outstanding world events, with extraordinary attention accorded to the Czechoslovak delegation. This attention was repaid by members of the delegation by some nonconventional external manifestations, such as the exclusive use of the English language instead of the previously obligatory Russian. Not only the language was "traded in," so were the magic words. Foreign reporters were informed consistently about a market rather than a plan, of agreements between enterprises rather than of contingents, and about the need to do "business" rather than for mutual economic assistance. Amid the great enthusiasm about the Czechs many seemed oblivious about the fact that even if in less polished English, Hungary and Poland have been urging an in-depth reform of the organization's functioning for years, and that most member countries joined in this appeal only now, and mostly at the level of rhetoric at that.

Thus, reporters joining the pilgrimage to Sofia did not have to search for minor sensations. They had to pursue some real sensations instead, because aside from the English version of the Czechoslovak head of state's statement, no written material whatsoever was available at the press center. It was exiled from the scene of the conference at the cultural center named earlier after Todor Zhivkov's daughter to the "Park Hotel Moscow," which had a strongly socialist realistic appearance. There being no CEMA materials, the hosts stuffed the press office with propaganda publications praising the Bulgarian economy, society and the standard of living. Fortunately no one rushed to pick up these publications, otherwise they certainly could not have understood why hotel employees, waiters and sales people in stores wore winter coats all day long, why electricity was turned off for an hour each day, and why there were demonstrations and strikes throughout the country. Only a half hour was allotted for a press conference, aside from some one or two sentence interviews made in haste, word spread in the

corridors, and East European journalists were promoted to become the chief sources of information. Hungarians, for example translated into English, German, or even into Russian for their colleagues the sole available copy of Miklos Nemeth's speech.

Inasmuch as it was possible to reconstruct the events from reports presented by participating members of delegations, the Soviet Union presented a proposal approved directly by its Supreme Council. A transition to dollar-based settlement between member countries would have to be accomplished continuously beginning in 1991, according to this proposal. The Soviets envision this by retaining the present interstate agreements as well as the contingents carefully reconciled by planning offices, and only settlement would take place in dollars, in due regard to prevailing world market prices. The view, according to which in the present framework of the system the Soviet Union actually supports small CEMA countries which are more developed than the Soviet Union, is stressed increasingly in Moscow political and economic circles. On the other hand, the Soviets expect to materialize between \$8 billion and \$10 billion in added revenues due to the introduction of the clearing dollar. The rest of the countries manifested unusual unanimity in disputing the method of settlement suggested by the Soviets, therefore they unanimously rejected the proposal in its present form. Responding to questions raised by foreign journalists in this regard, Soviet cognoscenti combined veiled threats with some forgiving tolerance, stressing all along that they would be attentive to the concerns of small countries so that they do not become crippled in a transition which is bound to come sooner or later.

The Hungarian perception corresponds with the Soviet view only to the extent that the transition should begin in 1991. On the other hand, the fact that the intentions of the Hungarian government call for the use of dollars in actual trade, meaning that the American currency should be used not only for accounting purposes but also as the medium of payment. If this were the case contingents regarded as relics of economic history would be ruled out, and business would be transacted strictly in the form of agreements reached by enterprises. On the other hand it is fact that according to some calculations transition would produce a onetime loss amounting to about \$1.5 billion for Hungary.

The Polish view is not much different from the Hungarian position, and so is the Czech proposal, insofar as principles are concerned. From a practical standpoint, however, Prague regards a 1991 transition as too early, and views implementation of the change as feasible within three to five years at the earliest. On the other hand Prague is not willing to acknowledge without

complaint the Soviet advantages to be derived from the transition. Deputy prime minister Dlouhy said that it was the Soviet Union that forced small countries to develop the unhealthy economic structure, as well as the often irrational specialization and the investments. For this reason the Soviet Union should take its share in footing the bill, according to Dlouhy.

Also the Romanians supported the reform concepts, on the other hand they said that their country's economy had been squeezed dry, the technical standards are extremely backward, and that the supply difficulties are likely to last for years. Therefore, from the Romanian standpoint, integration based on market principles represents a distant dream rather than a proximate reality. GDR tactics within CEMA are characterized more by remaining in the quiet background. It is expected that they will increasingly concentrate on the development of inter-German relations; at least this was the talk among journalists, but there came no official affirmation or denial.

The only tangible result the conference produced was the establishment of a special committee to develop a recommendation for the formulation of a new cooperative system. Although some observers regarded this as a significant move away from the dead center, they carefully caution against anyone hoping that the committee's working would result in a quick renewal. Others believe that real changes in CEMA—an economic organization in name since its beginnings to date, but a political organization insofar as its real functions were concerned—may come about as a result of the elections to be held in East European countries this year.

#### **IZVESTIYA Threat: Medgyessy Reaction**

25000610B Budapest HETI VILAGGAZDASAG  
in Hungarian 20 Jan 90 p 6

[Unattributed article: "Concise Policy"]

[Text] "One should not overestimate the IZVESTIYA article, as far as I know it does not correspond with the government's position," according to deputy prime minister Peter Medgyessy, following the January 9 publication of an article concerning CEMA matters. The article assumed a threatening tone of voice. The following are excerpts from the article:

Frankly speaking, on the occasion of the CEMA session it is boring to write once again about the fact that the task is "to give a new push to cooperation ...," "to elevate cooperation to a qualitatively higher level." The 45th session has been postponed several times, and it is possible that such postponements were beneficial, because some entirely new faces appeared at the negotiating table on 9 January in Sofia. Government representatives were told by their respective parliaments to stay away from abstract theories and to represent the true interests of their countries.

Never before has it been this difficult to find a common denominator. This is attested to by the trial balloon raised by Czechoslovak finance minister Vaclav Klaus. His statement to the Polish newspaper Rzeczpospolita created sensation throughout the world. In it he said that Czechoslovakia would unilaterally abandon CEMA if they failed in nullifying a series of agreements reached earlier. (Prime minister Clafa subsequently voided the statement.) Immediately prior to the Sofia meeting Hungarian deputy prime minister Medgyessy declared on the pages of NEPSZABADSAG that at present, and even more so in the future, CEMA would not be able to serve either the development of its member countries or the integration of Central-Eastern Europe.

The Soviet Union is convinced that perestroika will become a reality, moreover, this will take place in the midst of a radical reform of cooperation. It would be a romantic illusion to forget that CEMA countries spent huge amounts on the unified electrical energy system or on the construction of oil and gas pipelines, and that they did so precisely on the basis of Soviet deliveries. Czech and Hungarian consumers would probably prefer to have heat and light in their homes also in the future. At the same time Soviet consumers would like to hope that medicines will not disappear from pharmacies and other outstanding East European goods will not vanish from stores. "The Soviet Union is the natural center which may be regarded as a seed of integration processes in our cooperation," CEMA's current president, the Bulgarian Andrej Lukanov reminded not too long ago.

#### **CZECHOSLOVAKIA**

##### **Komarek Views End of Restructuring 'Game'**

90EC0246D Prague LIDOVA DEMOKRACIE in Czech  
18 Jan 90 p 1

[Unattributed article: "The End of the Restructuring Game"]

[Text] The Czechoslovak Government is now confronted by the difficult task of coming to grips as quickly as possible with the poor performance of current national economic managers and with penetrating the enchanted circle of those enterprise managers who remain, whose incomes are based on whatever they actually earn.

As was stated by V. Komarek, first deputy premier of the Government of Czechoslovakia, it is essential to modernize the entire processing industry, to change the unsatisfactory technical base of ferrous metallurgy and engineering, to bring order to the disastrous state of railroad transportation, and to come to grips even with the amassed deficit in the devastation of the housing inventory as well as in the inventory of public buildings. Furthermore, it is necessary to reduce national consumption of materials, raw materials, and energy, and to end

increasing production costs. Through economic pressure, enterprises must be forced to achieve competitiveness in the domestic as well as the foreign market, and to reflect the international division of labor which is closely connected with this problem. After all, in the words of the deputy premier, Czechoslovakia's current exports are valued at \$1,200 per person annually, whereas Belgium, the Netherlands, and Sweden export approximately \$8,000 and \$10,000 annually. At that, a considerable portion of Czechoslovakia's foreign trade involves socialist countries; real exports in freely convertible currencies is substantially lower—approximately at the level of developing countries.

V. Komarek commented on the intentions of the existing course of economic reform by saying that it was the exact opposite of whatever was officially proclaimed. It was a game of restructuring. In reality, the goal was to enable enterprises to maintain their monopoly and their substantial claims on investments and resources, that is to say, on metals, raw materials, materials, energy, and manpower. An artificial prosperity was thus perpetuated.

The creation of state enterprises led to the establishment of large monopolies which (under the existing conditions in which there was more demand than products offered and an absolute shortage of competition) were able to dictate their own conditions and were able to push prices in an upward spiral. After all, of only 400 engineering enterprises, 246 were transformed into state enterprises, employing an average of 5,000 employees, which represents a larger concentration than in the engineering industry of the United States. The public was promised a reform, but, in actual fact, nothing happened, even in the area of structural changes which were so often the subject of conversation. For example, the extraction of brown coal was to be reduced without delay.

The Government of Czechoslovakia is aware of the state in which our economy finds itself and will not continue in this game of restructuring. In addition to maximum efforts to prevent inflation or unemployment, it will do everything necessary to install an efficient market economy and open it to the world.

### **Microelectronics Industry Search for Niches Viewed**

*90EC0246C Prague SVET HOSPODARSTVI in Czech  
5 Dec 89 p 1*

[Article by Zdenek Smely: "Czechoslovak Microelectronics—Where Do We Have a Chance for Success?"]

[Text] We have become accustomed to world scientific-technical progress and to measure our results, both economic and scientific, by the yardstick of the so-called world peak. This peak is generally considered to be a set of parameters for some product, technology, or installation, loosely defined, which represents not so much the

actual statistical status of the equipment as a concept which is compiled or estimated on the basis of data available to us.

The lack of clarity with regard to the data by which we compare our results with world results, the gross inaccuracy with regard to the composition, structure, quantitative as well as qualitative parameters of sets of compared data, the tendentiousness and prosecution of industry-wide positions, an inadequate overview regarding worldwide tendencies in the development of science and the economy, as well as a number of other causes, lead to the fact that conclusions about the status of our Czechoslovak economy and of the pace of its development are very different and frequently even contradictory. An optimist will always find enough examples of successes achieved, and a pessimist can point to a number of fundamental shortcomings of a conceptual as well as operational nature, and not just in our microelectronics industry.

The first fundamental item which must always be taken into account is the realistic evaluation of the possibilities which exist in our country with regard to the world division of labor and worldwide scientific-technical progress. Many tend to forget that our country represents 0.1 percent of the dry land of the world (not counting Antarctica) and has about 0.3 percent of the world's population; the natural resources which we lack far exceed those which we have. We are producing approximately 1 percent of the world's industrial production and are more or less self-sufficient with regard to the production of foodstuffs.

The second item which must essentially be taken into account is the fundamental difference between the results of science, research, and development, and the actual productive process. Discoveries, inventions, and new solutions only acquire a practical significance if they are introduced into mass production. Even the most important scientific results, for the realization of which there is a shortage of manpower and funds, are worthless to us, even though it might achieve great worldwide recognition. That is why realized results have a completely primary significance.

The third item, which is a very specific obstacle hampering the acceleration of scientific-technical progress in this country, is the incorrect understanding of the essence of the scientific-technical revolution and of scientific-technical development. Despite the fact that new, modern views occur ever more frequently in specialized and political publications, the view persists in the vast majority of our supervisory economic employees and managers of science that scientific-technical progress represents the sum of the activities and results of our scientific research base and of the so-called preproduction phases. The understanding of the impact of this fact, namely that the scientific-technical world revolution as well as scientific-technical development in our national economy are a sociopolitical and technical process involving the recognition of

the laws of matter and of achieving research results in practice, as well as by constantly increasing the technical-economic parameters, installations, technologies, products, and some nonproduction spheres, continues to be underestimated; this also leads to the development of incorrect views regarding the management of scientific-technical development as something separate from the economy, as a category which enterprises, industries, and the entire national economy do need, but which can be developed and utilized more or less independently of the economy.

In the West, there is much talk currently about so-called developed technologies ("high tech"). This appellation is applied to outstanding technical and technological works, production processes, and products and installations which have accomplished an express step forward in comparison with the current status of world technology. Unfortunately, until recently, that which was considered to be "high tech" did not include a single Czechoslovak product or technology, at least in accordance with reviews issued from time to time. A more detailed study of this category indicates that it not only involves outstanding technical solutions, but that a large role is played here by advertising, marketing, and scientific-technical information. "High tech" presents its owners with maximum profits which are estimated to be more than 40 percent. A second category of production technologies and products, the so-called solid products, products which are slightly above average, result in profits of only around 20 percent and the third category which could be called "sustaining technologies and products" result in only minimal profits or no profits at all.

Microelectronics is the scientific and production specialty which has attained mammoth dimensions on a worldwide scale and unprecedented breadth, and is showing tendencies toward additional quantitative, but particularly qualitative growth. It can be readily assumed that the level of so-called microelectronics is not a matter merely for science and production, but also for all of world science and technology and, thus, for the management of the scientific-technical development in our national economy as well. It is also clear that the creation of such perspectives and concepts which would confront and compare world development in microelectronics with our production and which would result in the formation of our research and production programs on a "world" scale is incorrect.

We cannot have a chance for success by duplicating the entire program of world microelectronics—not even such giants as the United States and Japan dare do this independently—but rather by selecting our own "dance floor," our own sector, which is of interest to our national economy and by developing it in such a way that we would not only be the beneficiaries, but would prevail as suppliers in the world markets. It is precisely in the context in which existing conceptions of microelectronic development attempted to react to the entire worldwide development in this area as though we were technically and economically full partners to the rest of

the world across the board that led to the fact that to this day there is no worked-out realistic concept in our country at all. Partial concepts worked out by individual enterprises or their groupings, concepts worked out by individual scientific work sites, research institutes, etc., understandably cannot replace a national view of our place in world microelectronics in the future projected over many years.

It is clear that in the area of outstanding scientific work which has already reached some degree of mass production, we can hardly be partners to current worldwide large-scale producers on a broader range. However, we cannot allow ourselves the luxury of failing to monitor new results in all these areas of microelectronics in great detail and with great attention, in science in general.

The tough competitive contest between the producers of microelectronics throughout the world leads to a rapid perfection of a broad scale of products, primarily consumer goods, when the innovative cycle takes 2 to 3 years, compared to our customary 5 to 7 years. In this country, we actually did not have any express reasons for promoting new materials, quality designs, to perfect products which would sell well on the domestic market, to be interested in new programs, in new products, and so, our production and private consumers live under spartan conditions. The chronic shortage of foreign exchange excludes the possibility of the mass purchase of key products, both for production consumption and also for private consumption. A whole series of our producers knows how to produce quite good computers and over the last two years there has been a marked improvement in this direction. However, the situation is tight with regard to the production of peripheral equipment. What is the use of having a high-quality computer as long as modern printers, plotters, monitors, floppy disks, etc., are not available for it? The way out, particularly with respect to small computer equipment, lies primarily in international coproduction, in uniting producers and designers of our computers, of creating order in the area of programming—an area in which we are by far not badly off, by the way.

There has also been a certain movement in the area of consumer microelectronics. The startup of the AVEX program, despite all its shortcomings and the high price level, does after all represent a step forward. Initiation of the production of compact disks, players, and other equipment has carried us to a relatively high rung on the ladder of producers in the laser technology area. However, in the area of color television, tape recorders, etc., our producers are only very slowly and with considerable difficulty adapting to modern world trends. Thus, for example, flatter picture tubes with sharp corners are, for the time being, only an object of study in this country, whereas they are helping foreign producers achieve solid profits. High-quality monitors for computers are also a great problem and public health standards the world over are rapidly being tightened up for them. What is worse is the fact that such areas as cable television and modern communications networks are not being actually

solved on a systems and specific basis, that development of microwave ovens and other microwave technology, which promise to achieve huge savings in energy, time, convenience in the kitchen, which conserve nutritional values of food and result in various other health advantages, is falling behind. A number of applications for microelectronics in fusing equipment, in the household, etc., remain completely outside the attention of our producers. The practical application of such microelectronics, such personal computers and processors as are, for example, developed at the technical university in Vienna, are stagnating. We are concerned here, for example, with the E-Spar computer model, use of which results in very express savings in energy in heating buildings, or use of the computer-controlled stove produced by the West German Fissler firm, use of which would make the work of women in the household immeasurably easier and would result in savings of more than half of the energy which is wasted in today's kitchen, or use of computer systems in the modern automobile which result in savings of fuel, increase the safety of operation, and reduce the quantity of harmful agents. For us, this should not just be pie in the sky. We must select and develop precisely such programs which would provide us with specifically palpable contributions. I believe, for example, that the mass production of simple and inexpensive microwave ovens or stoves could result in saving an entire large electric power plant and could save women in the household from 10 to 15 hours per week.

A broader application of the market mechanism, the gradual opening of the market in the direction of foreign countries, a way toward the convertibility of our currency—all of these things are subjecting our producers to the growing pressure of world competition. In world industry, labor productivity and the quality of work have grown at an annual average rate of 2.5 percent for decades; in the area of microelectronics, this percentage is still substantially higher. This is hard for our producers. Also, the demanding nature of our customers will grow and I believe that this will occur precisely with respect to practical applications which are scientifically not particularly demanding and whose focal points lie precisely in well-mastered high-quality industrial production, primarily in engineering production—this is the direction in which our microelectronics must move, and not only that industry. We must keep in mind the economic balance of entrepreneurship in this area—our realistic possibilities. Under no circumstances do I mean to underestimate the creative capabilities of our leading scientists and specialists, but it must be clear even to them that their work should, in the overwhelming majority of cases, have a practical result. Similarly, the captains of our industry should be clear about the fact that without modern equipment, without contemporary and rapid scientific-technical information, they cannot get by in any event.

## HUNGARY

### **Iraqi Crude Oil To Be Received via Adriatic Pipeline**

*25000616C Budapest NEPSZABADSAG in Hungarian  
22 Jan 90 p 5*

[Text] Crude oil purchased from Iraq will be delivered shortly to the refineries of the National Crude Oil and Gas Industry Trust by way of the Adriatic long-distance pipeline. The oil is expected to begin flowing as early as late January. As commissioned by the Trust, Mineralimpex reached an agreement with a partner in Iraq for the importation of 200,000 tons of crude oil. The raw material will be shipped by a tanker vessel from the Near East to the Yugoslav harbor on the island of Krk. From there the oil transportation company Yugoslavenski Naftavod will forward the oil to Hungary through the Adriatic long-distance pipeline.

### **Property Protection, Related Legislative Action**

#### **Commissioner Explains Background**

*25000636 Budapest FIGYELO in Hungarian  
11 Jan 90 p 3*

[Article by Istvan Tompe, government commissioner for privatization: "Organizing the Protection of National Property"; first paragraph is FIGYELO introduction]

[Text] Various political movements and professional groups hold different views about proprietary reform. There are some who stress the primary importance of private property, others underscore the significance of communal property, and there are great differences in regard to the role to be played by foreign capital. On Page eight of this issue we summarize legislative proposals related to proprietary reform. It is expected that these proposals will be submitted to the National Assembly in late January. The author of this article, the government commissioner in charge of these matters, presents the background of the legislative proposals.

In studying the various party programs we find some rather vague details relative to proprietary reform. This is no wonder, because professional and political public opinion are divided, particularly with regard to property-related tasks to be performed in the near future. On the other hand, everyone considers the removal of the state to be an urgent task. By using the term "removal of the state," and by finding owners with real capital incentive, we understand the fact that the state, and in particular the state administration, should remove itself from the daily management of state property utilization. More or less, there is an understanding with regard to the fact that the removal of the state will not be realized in one step, but in several phases, fundamentally by means of evolution. Agreement on these issues exists primarily in terms of perspectives, and to a lesser extent in terms of the methods to be used. But the assessment of the

present processes varies, and spontaneous privatization in particular evokes heated emotions.

### Three Methods of Proprietary Reform

We may state with near certainty that proprietary reform in the long term will follow three "methodical" trends. In part, Parliament will enhance the denationalization of state property by law. As a result of this process a local-communal ownership form will be created, foundation property will expand, and employee stock ownership will have an important role to play. On the other hand, certain elements of spontaneous privatization will remain characteristic, as long as the state enterprise ownership form exists, even though the remaining elements of spontaneous privatization will be controlled by rules that are currently prepared or are to be prepared in the near future. Third, case by case privatization, as practiced in developed market economies, will play an essential role. This kind of privatization is multifaceted: It contains both the structural transformation of enterprises, and thereby a substantial increase in the value of such enterprises, and their professional sale. In most countries these functions are performed by state privatization agencies, contract agents, and parts of ministries organized for this purpose. Our planned National Property Agency (previously called the State Trust) is one such organization.

The authors of the legislative proposals concerning the protection of property and the property agency itself, firmly adhered to the idea of establishing only a transitional system. The fundamental requirement in preparing these legislative proposals was not to predetermine the future path of proprietary reform, but to place rational limitations on final decisions to be reached in the framework of spontaneous privatization.

The events of the past several months in part support concerns expressed by opposition parties and government experts. They expected to see the sale of national property below its value, and attempts by managers to salvage themselves. On the other hand, everyone should recognize that enterprise endeavors to establish corporations and to privatize also contain positive elements, and that "socialist" large enterprises preserving their traditional structure by no means present positive examples. It would be a mistake to penalize the efficient, the ones who want something different, those who are preparing themselves for the market economy. On the other hand, we would be making at least as great a mistake if we were not to raise our voices in response to negative phenomena.

### The Hungar Hotels Example

Above all, the selling out of state property is related to foreign investments. The main reason for this is the shortage of capital in the Hungarian economy, but the lack of confidence in the nation manifested by one or another politician also plays a role. This is a mood which leads to an aberration in development, in which "being

domestic" depreciates and "being foreign" appreciates. In this regard I consider myself a follower of King Stephen, who taught Prince Imre a thousand years ago to accept foreigners, and to respect cultural differences. This, however, must not mean that as a result of short-term considerations we depreciate a substantial part of our economy without cause.

I would like to illustrate my position by way of the Hungar Hotels example. We read in the newspaper that they want to sell a chain of 50 hotels which is part of that enterprise for about \$100 million. Is this price high, or is it low? The foreign expert appraised the enterprise assets on the basis of return realized on these assets. In general, value calculated on this basis is realistic. Starting out from profits is a classic method, but this method applies primarily to processing industry activities. Indeed, in that field the issue is determined by the rapid depreciation of assets, and the question is how much revenue may be collected, and on this basis the derived value of capital may be figured out easily.

But in instances where valuable real estate is involved, with dynamic growth in foreign tourism and before a World's Fair, the property value derived in this manner is far below the selling price that could be achieved. It is particularly far from the possible selling price if we consider the fact that enterprises like these could be sold at far higher prices if they were put in order, trimmed down, and decentralized prior to sale. But let us assume that one could not sell the hotel chain—more accurately, half the hotel chain—at a higher price. At that point one should ask the question whether it is worth selling that property under those conditions. It would have been appropriate to begin business negotiations by asking this question. The answer is that under those conditions it is not worth selling the property! It is likely that credit could be obtained to develop the hotel chain, and the enterprise organization could be decentralized and privatized. The hurried attempt to sell could hardly serve any other purpose than to maintain Hungar Hotels enterprise headquarters in existence, even at an extraordinary loss of property suffered by society.

It is the purpose of the property agency and property protection to control privatization without blocking structural transformation. The real meaning of these laws is that they organize protection of state property until such time that the new Parliament establishes a firm position regarding the outlines and methods of proprietary reform

### Control—In Whose Interest?

The legal standing of the Property Agency has been under the cross fire of debate all along. One view holds that the Property Agency must be placed under the direct control of Parliament, while according to others, supervision by the Council of Ministers would be warranted, because in regard to structural and financial matters, privatization and the activities of government must be linked. Even in this case parliamentary oversight would

not become formal, because the government is strictly supervised by Parliament. Two opposing views may be distinguished within the group that recommends parliamentary control. One of these views holds that Parliament should provide oversight not so much for the sake of control, but rather to protect the autonomous enterprises. Advocates of this view hope that insofar as the Property Agency comes under parliamentary control, and if Parliament reserves itself the right to assign enterprises to be subject to state administrative control, the state would not be able to place under state administrative control enterprises which at present operate on an autonomous basis, because of anticipated resistance by Parliament.

The proposal is attempting to provide a balanced viewpoint; it calls for governmental supervision of the Property Agency, which means that placing enterprises under state administrative supervision would be the prerogative of the government. This was the practice followed prior to the enactment of the Law on Transformation. In certain instances the chairman of the Property Agency would act jointly with the chairman of the Council of Ministers. At the same time, the National Assembly would acquire opportunities to exercise oversight in several respects.

The power to appoint members of the Property Agency's board of directors and its managing director would rest with the National Assembly. Due to the fact that members of the board of directors must not have any direct employment relationship with the Property Agency, the board would be suitable to realize direct parliamentary control over the decisions rendered by the Property Agency. This role of the board is required even more so, because the operations of the Property Agency are surrounded by a rather uncertain social and political fiber, and it will be a dangerous task to judge action taking place relative to state property, and to exercise rational control over spontaneous privatization. This will be the case for months, if not years to come.

The acceptable means available for the management of state property, the decisionmaking algorithms of the National Property Agency, must be clarified as early as possible. Practical experience is needed to accomplish this, however. Only a stunning bureaucratic set of rules could be developed without practical experience and by relying only on international professional literature and on fantasy. For this reason, the framers of these proposals left open certain questions which they regarded as not being ripe for treatment in the framework of law. For example, the contents of property management contracts are not prescribed in detail, nevertheless existing rules provide appropriate guidance for a start.

The decisive element of parliamentary control over the Property Agency is that each year Parliament adopts so-called property policy guidelines. These constitute important, mobile parts of state property policies. Although the law defines the technical details of the operation of the Property Agency, the annual property

policy guidelines will provide direction as to the subjects upon which the Agency should focus its activities, and the way it should utilize its revenues.

#### **Tasks Should Be Performed on a Contractual Basis**

The government's property policies exceed the functional scope of the Property Agency, of course. For this reason there is an opportunity for future governments to spell out in the form of property policy guidelines and other similar documents timely policy provisions concerning the removal of the state. These would be debated and adopted by the National Assembly on an annual basis. The role played by the National Assembly constitutes the essence of this matter! Accordingly, if the future National Assembly feels that state property may be denationalized faster or slower than it is today, or that means other than those used thus far should be applied, the corresponding decisions will become part of the property policy guidelines.

In its present form the Property Agency represents a compromise between the national property institution concept of experts advocating a strong state role on the one hand, and trends of liberal thought on the other. The framers of the proposal endeavored to achieve a condition in which the economic philosophy dispute between these two trends cannot be decided prior to the elections by virtue of the organization and the operating rules of the Property Agency.

Establishing protection for property—and in conjunction with this, establishing the Property Agency—is more timely today than at any time before, but the establishment of the organization is becoming increasingly difficult because of the approaching elections and the expiring mandate of Parliament. Although the concept which holds that property protection laws should be adopted by the new National Assembly appears logical, state property could disappear in the next six-month period just as fast as the state expropriated private property, if we adhere to that concept. Aside from that, it would be a naivete to protect property without having a specialized organization for that purpose. What is left, then, is perhaps the not overly fortunate compromise: to establish the Property Agency, but leave the definition of the full scope of its operations to the new National Assembly. The framers of the proposal agree with this view, and believe that the government owes this act of good will to the next National Assembly.

As a result of all this, even if the legislative proposal is adopted, the Property Agency would just begin organizing itself, and its staff would barely exceed one or two dozen employees. As perceived by the framers, the Agency should not become part of a ministry even in later days; the goal should be to continue the organization as a relatively small, operative organization as compared to its task, and to have it perform its tasks by letting contracts to competing organizations.



### Summary of Proposals

25000636 Budapest FIGYELO in Hungarian  
11 Feb 90 p 8

[Unattributed report: "Legislative Proposals Before the National Assembly"; first paragraph is FIGYELO introduction]

[Text] As we indicated in the previous issue of FIGYELO, the government is expected to submit to the National Assembly a legislative proposal concerning the protection of its property entrusted to state enterprises, about the National Property Agency (previously referred to as State Property Trust) and concerning individual enterprise. Accordingly, the legislative package does not include the privatization law which ran into great resistance, and another proposal which by logic would fit into this package: the law concerning employee stock ownership. The latter has not been fully completed. The following is a summary of the three proposals presumed to be placed before Parliament. It is based on our knowledge as of early January, and is not necessarily complete.

The sale of state property entrusted to enterprises, the transfer of dispositional rights concerning such property, including the transfer of state property to business organizations, does not take place in every instance in a manner consistent with the interests of the state as an owner, and through that, of society. The law concerning the protection of state property entrusted to enterprises has a dual purpose. First, by establishing controls it provides protection to business organizations which manage their affairs in an honorable manner, and strengthens privatization as a result. Second, it deters dishonest transactions which violate national interests.

#### Protection of Property

The scope of this law covers the following types of contracts consummated by state enterprises, their subsidiaries, and other state business organizations:

- (a) The provision of nonpecuniary contributions by a business organization, provided that the value of such contributions exceeds 10 percent of the total book value of all assets at the enterprise, or 20 million forints, whichever is smaller;
- (b) The sale of rights having a pecuniary value held by an enterprise, or the sale of ownership interests that exist in a business organization—including leasing and, in the absence of other legal provisions, real property—provided the value of the contract exceeds 30 million forints;
- (c) The sale or lease of other fixed assets held by an enterprise, provided that the book value of such fixed assets exceeds 50 million forints;
- (d) Any other contract—lease or leasehold agreement—on the basis of which another person is entitled to the use, and/or utilization and/or right to benefit, provided

that the value of the contract, lease, or leasehold agreement exceeds 50 percent of the total book value of the enterprise assets.

The value of the above-mentioned contracts—consummated within two calendar years—must be computed individually, per type of contract, and considered as one. Legal consequences for exceeding percentage value limits must be applied only in regard to contracts valued in excess of one million forints.

Enterprises are obligated to report their intentions to consummate contracts which fall under the scope of this law to the National Property Agency (hereinafter Property Agency). Such reports must specify the title of the planned contract, the value of the contract, the value determined by the auditor, and other essential conditions contained in the contract, as well as the ratio of the contract value to the value of assets, as per the enterprise financial statement.

An enterprise may consummate the contract pursuant to the conditions specified in the contract 30 days after notice of intent to consummate the contract, unless the Property Agency takes one of the following actions within the time period specified:

The Property Agency may require an additional property appraisal if substantial doubt exists regarding the correctness of the results of the original appraisal. Such additional appraisals shall be performed within 30 days from the date when the Property Agency appointed a property manager. The enterprise must not sell or pledge the property in the form of a pecuniary contribution to a corporation below the value established in the course of the second appraisal, unless permitted to do so by the Property Agency. In the event that the significance of the contract or other circumstances, particularly the interests of the freedom of competition, so warrant, the Property Agency may require that the contract be consummated on the basis of competitive bidding. In the event that it becomes apparent that the contract conflicts with societal interests, the Property Agency may prohibit consummation of the contract. The enterprise may seek judicial review of a Property Agency's prohibitive order within 30 days.

An enterprise is not obligated to file a report to the Property Agency concerning an intent to consummate a contract if the enterprise invites competitive bids for the consummation of a contract, or if the enterprise publicizes the contract conditions in at least two national daily newspapers, including a provision stating that in the event a third person presents a more favorable offer within 30 days from the date of publication, the enterprise will consummate the contract with that third person.

Invitations for bids shall be announced by the enterprise, and its conditions shall be determined by the enterprise. Competitive bidding shall take place in public, but in special cases closed invitations for bids may be announced, subject to an agreement with the Property



Agency. Public tenders must be announced in at least two national daily newspapers; the period allowed for the submission of bids must not be shorter than 15 days. Judging the bids is the function of the enterprise; the Property Agency must not influence the enterprise in making its decision. In choosing from among bids, the enterprise must select one which is well founded, and which in the overall offers the most favorable conditions. The enterprise must evaluate bids received within 15 days.

### National Property Agency

According to the legislative intent supplied with the legislative proposal concerning the National Property Agency and the related proposal concerning the management and utilization of property, the Property Agency shall mean the establishment of the property management organization defined in the Law on Transformation. Initially, the activities of the Property Agency shall extend to state property organized or to be organized into corporations. In addition, the Property Agency shall perform certain control functions in regard to transformations initiated by enterprises. At the same time, the Property Agency may interfere with economic processes only when, and only in a manner authorized by law and by property policy guidelines adopted by the National assembly.

The Property Agency is overseen by the Council of Ministers. It is a legal entity funded by the state budget. The Property Agency exercises the state's ownership rights in regard to state property subject to its jurisdiction.

The operations of the Property Agency shall be directed by a board of directors composed of at least seven, but no more than 11 members; the decisions of the board of directors shall have mandatory effect on the managing director of the Property Agency. Members of the Property Agency's board of directors and its managing director shall be elected by the National Assembly for five-year terms, based on recommendations made by the chairman of the Council of Ministers.

The following state property falls under the jurisdiction of the Property Agency:

(a) State enterprise property which was transformed into business organizations based on the Law on Transformation, and other state business organizations:

—All business shares and stock not transferred to the ownership of outside entrepreneurs, in the case of enterprises, trusts, and other state business organs previously under state administrative supervision;

—Business shares (stock) corresponding to 20 percent, or an agreed-upon proportion of enterprise property derived from the founding capital (basic capital) shown in the financial statement of state enterprises operating under the direction of enterprise councils or workers' general meetings (meetings of delegates); and

further, business shares (stock) which the business organization may retain for the purpose of sale—without affecting the right to sell;

(b) Property operated by business organizations not governed by the provisions of (a) above, which was owned by the state prior to the effective date of the Law on Transformation, and which continues to remain under state ownership on the day this law takes effect;

(c) Assets which remain state property following the liquidation of a state business organization, and all state property referred to the Property Agency by separate law or by a resolution passed by the National Assembly.

The Property Agency has no jurisdiction over property held by business organizations established by organs subject to the state budget for welfare or operational purposes, and further, property owned by state enterprises and other state organizations doing business, held by business organizations.

### Functions

The Property Agency performs the following functions:

(a) Receives and maintains records concerning state property under its jurisdiction;

(b) Exercises the authority granted to the state property management organization as provided for in the Law on Transformation and in this law;

(c) Provides for the utilization of state property under its jurisdiction, and evaluates and controls the return on such utilization;

(d) Exercises the founder's right within the scope of this law in regard to state enterprises;

(e) Initiates the transfer of enterprises operating under the general direction of enterprise councils or workers' general meetings (meetings of delegates) under state administrative supervision;

(f) Provides for the preparation of the sale (utilization) of enterprises brought under state administrative supervision on the basis of the previous provision;

(g) Conducts examinations related to the sale of state property, prepares related decisions, participates in the implementation of decisions;

(h) Directly manages property in exceptional cases and on a temporary basis;

(i) Prepares draft property policy guidelines, submits the same to the Council of Ministers, implements the guidelines;

(j) Reports annually to the National Assembly concerning the activities of the Property Agency;

(k) Performs all functions related to state property as assigned to the Property Agency by this law, by a resolution passed by the National Assembly, or by the Council of Ministers.

The Property Agency shall perform the functions specified under (d), (e), (f), and (g) above in consultation with the founding organ.

The Property Agency must not directly pursue business activities, except as provided in this law; on the other hand, it is obligated to provide for the earliest possible utilization of transferred state property.

In the framework of exercising the founder's rights, the Property Agency may withdraw property entrusted to enterprises, for the purpose of establishing a corporation or for selling such property. In such cases the Property Agency acts as a guarantor of the debts that exist at the time of withdrawal, up to the amount of indebtedness and for the proportion of indebtedness that corresponds with the extent of the withdrawal, and is responsible for damages suffered by creditors in the course of withdrawal.

Pursuant to Paragraph 17.(2) of the Law on Transformation, the Property Agency renders opinions regarding transformation plans and financial statements submitted to the Property Agency, and if necessary makes recommendations to the transforming enterprises. The rendering of opinions and recommendations shall be made in consideration of market development and the protection of the state's ownership interests. If an agreement is reached between the transforming enterprise and the Property Agency concerning the conditions and method of transformation within the time period specified by law or agreed upon by the parties, transformation must be implemented consistent with such agreement. Implementation of such agreements shall be controlled by the Property Agency. In the event that the transforming enterprise deviates from the agreed-upon terms, the Property Agency may cancel the agreement, to be effective immediately; in such cases transformation may take place only pursuant to rules provided by the Law on Transformation.

In the event that a transformation obviously violates the societal interest, or tends to cause damage to the national economy, the Property Agency shall prohibit the transformation within 60 days from date of receipt of the transformation plan. Judicial review of the Property Agency's determination may be sought by the enterprise within 30 days from the date of communicating such a determination.

If within three years after transformation the transforming enterprise or business organization wishes to sell the business shares (stock) retained by the enterprise in such a manner as to violate the state's ownership rights, the Property Agency may withdraw the subject business shares (stock) in exchange for paying to the transforming enterprise (business organization) the proportionate

value to which it entitled. Such amounts shall be determined on the basis of the offering price. Any sale planned during the three-year period immediately following transformation shall be reported to the Property Agency. The transaction may be consummated on the basis of the reported conditions, provided that the Property Agency does not exercise its above-mentioned authority within 30 days from receiving the report.

In regard to property, the finance minister shall exercise the authority granted to him in the decree concerning state bankruptcy reorganization in agreement with the managing director of the Property Agency. In the event that the Property Agency is entitled to founder's rights, the managing director of the Property Agency may appoint an enterprise commissioner to run the enterprise. The purpose of such appointments shall be the achievement of more efficient operations, and shall be in the interest of preparing to sell (reorganize) at a later date. The enterprise commissioner shall manage the enterprise immediately under the direction of, and pursuant to the directions provided by, the Property Agency.

The Property Agency's chief sources of revenue are as follows:

- (a) Return materialized on state property under the jurisdiction of the Property Agency;
- (b) Rental fees paid after state property utilized by leasing such property;
- (c) 100 percent of the value of that part of the assets of an enterprise under state administrative supervision, trust, or other state business organization which were sold by the Property Agency, by a property manager appointed by the Property Agency, by a trust, or by the founding organization;
- (d) 80 percent, or an agreed-upon proportion of the value received for business shares (stock) sold by an enterprise council or workers' general meeting.

The Property Agency may expend its revenues particularly for the following purposes:

- (a) To yield the return on state property under the jurisdiction of the Property Agency to a business organization, pursuant to property policy guidelines;
- (b) To pay property manager fees, and in the event of excess return, to pay the appropriate share of the excess to the property manager;
- (c) To pay commissions due after sale;
- (d) To pay for expenses incurred in the course of reorganization;
- (e) To pay for expenses incurred in the course of temporary, direct property management;
- (f) To contribute to the state budget pursuant to property policy guidelines;

(g) To contribute to the reduction of the state's indebtedness, pursuant to property policy guidelines.

The managing director of the Property Agency shall report to the National Assembly concerning the activities of the Property Agency, in regard to the situation of state property under the jurisdiction of the Property Agency, and the results of utilizing such property, as well as concerning the implementation of property policy guidelines. Such reports shall be submitted at the time the following year's annual state budget is submitted to the National Assembly. The report shall be accompanied by an opinion expressed by the State Accounting Office.

### Property Managers

State property operated in the form of enterprises may be managed by any Hungarian or foreign legal entity, business organization which is not a legal entity, or individual entrepreneur, provided that the Property Agency or a property manager appointed by the Property Agency consummates a contract with such entity, organization, or individual, if such entity organization, or individual is selected on the basis of competitive bidding.

A competition shall be announced by the Property Agency and shall be published in two national daily newspapers. Competition shall be conducted in public, except in cases when the board of directors of the Property Agency approves of the announcement of a closed competition. The announcement inviting competitive bids shall specify the part of property (business share, stock) which is to be managed, the value of such property, the conditions of management, requirements related to business policies, and the final date for the submission of bids, which must occur at least 15 days from the date of the announcement. In the event that the competition involves the sale of all or part of a business organization, the announcement shall specify the more significant aspects of the financial statement, and must contain an approximate selling price. The Property Agency shall have a registered expert determine the value of the part of the property to be announced. Bids shall be judged by the Property Agency's board of directors. The Property Agency may enter into contract only with the bidder who won the competition. In the case of a foreign contestant, the contract is valid only if the contestant establishes a business organization.

The Property Agency is authorized to sell state property consistent with property policy guidelines, or may transfer such property to the ownership of the Social Security Fund and other organizations.

For the purpose of managing state property the Property Agency shall enter into contracts with the winners of bidding competitions.

In the framework of contracts governing entrepreneurial property management, the property manager agrees in lieu of a fee to be paid by the Property Agency to exercise ownership rights—except the right to sell—over the property in such a manner as to achieve a certain return

stipulated in advance, and to maintain or achieve a certain level of property value, as specified in the contract. The Property Agency and the property manager may reach an agreement to the effect that the Property Agency will yield part of the return to the manager. The possibility of an arrangement of this nature must be stated as part of the conditions in the invitation to bid.

In contracts pertaining to the management of leased property, the property manager shall obligate himself to pay a fee to the Property Agency and to maintain a certain level of property value, as specified in the contract. The property manager shall exercise ownership rights, except the right to sell, in lieu of such payments and pledges.

In contracts pertaining to portfolio property management, the property manager commits himself to exercise ownership rights over such property—including the right to sell—in lieu of a fee to be paid by the Property Agency, in such a manner as to achieve a contractually stipulated return and/or appreciation of property.

The property policy guidelines shall specify in particular the framework in which state property operated in the form of enterprises will be sold during the upcoming year, and the utilization of the previous year's revenues collected by the Property Agency, such as the proportions by which such revenues shall be distributed between the state budget, the reduction of the state's indebtedness and transfer to business organizations, etc.

As planned, the law will go into effect on 1 April 1990. Simultaneously with this law taking effect, other laws must also be changed. For example, the Enterprise Law must specify that "Upon receipt of a recommendation from the managing director of the National Property Agency, the Council of Ministers may order the transfer of an enterprise managed by an enterprise council or by a workers' general meeting (meeting of delegates) under state administrative supervision for the purpose of transforming such enterprise within a year into a business organization." The Labor Law must be amended to state that directors of state enterprises shall be liable for damages caused to the enterprise as a result of failing to perform their duties, pursuant to the general rules of civil law.

### Individual Enterprise

It is the purpose of the legislative proposal concerning individual enterprise to regulate individual enterprises and to thereby enhance Hungarian economic development by way of ensuring entrepreneurial freedom and equal competitive conditions. In applying this law, an individual enterprise is a business activity pursued by a natural Hungarian (hereinafter: domestic) person in a businesslike manner, in his own name and at his own risk, regularly, for profit. The domestic character shall be determined on the basis of rules governing foreign exchange.

An individual enterprise may be pursued on the basis of registration, with the possession of an entrepreneur's certificate. No certificate is required for the practice of agricultural production and related services. Any individual entrepreneur may hold only one entrepreneur's certificate. Based on such a certificate, an entrepreneur may pursue several kinds of activities and may maintain several plants and outlets (shops and productive or service units). The issuance of an entrepreneur's certificate may be denied only if the request for such a certificate is contrary to law.

The issuance and revocation of an entrepreneur's certificate, and the related administrative proceeding, is under the jurisdiction of the specialized council executive committee organ charged with the performance of regulatory functions, having jurisdiction in the place of the entrepreneur's domicile, or if he is not domiciled, the place where the entrepreneur's plant is located.

An individual entrepreneur may pursue activities tied to qualifications criteria only if he qualifies under the criteria specified by law, or if among his employees or family members there is a person who qualifies under the criteria. If the individual entrepreneur has several plant locations (subsidiary locations), the requirements established regarding qualifications shall prevail in all plant (subsidiary plant) locations.

The individual entrepreneur is obligated to personally involve himself in the pursuit of the activity. The individual entrepreneur may hire employees, contract workers, family members, and students from midlevel specialized educational institutions. The individual entrepreneur carries an unlimited liability to the extent of all his property to cover obligations stemming from his activities. A natural person may establish only one individual enterprise, and he cannot serve simultaneously as a member having unlimited liability within a business organization.

#### **Parliament Tightens Provisions**

25000636 Budapest HETI VILAGGAZDASAG  
in Hungarian 3 Feb 90 p 69

[Unattributed article: "The Birth of the Property Agent"]

[Excerpts] Concerned about the "squandering" of state property which caused many complaints, and about the evolution of a transformation and company founding hysteria, the National Assembly approved the legislative proposal concerning a property agency by simultaneously advancing the effective date from 1 April to 1 March. In the days just prior to passage, the name of the agency was changed from "National Property Agency" once again to the narrower concept of "State Property Agency" (AVU). Following a lack of interest manifested by a parliamentary committee the previous week, it came as somewhat of a surprise that at the plenary session representatives advanced several dozens of modifying amendments. To be sure, at Thursday's hurriedly

called budget committee session it turned out that some of the proposals resulted from a less than complete familiarity with the proposal, and a series of other recommendations were rejected after several hours of debate concerning details. Thereafter the committee returned to the original text of the legislative proposal. In the end, as a result of such detours, a vote on the laws became possible only with a day and a half of delay.

As another sign of general distrust in the government(s), the Council of Ministers' supervisory authority over AVU, as specified in the original legislative proposal, was changed. It was placed under the direct jurisdiction of the National Assembly. On the other hand, in a somewhat contradictory fashion, Parliament took away the authority to place under state administrative supervision enterprises directed by enterprise councils from the Council of Ministers, as provided for in the proposal, and handed that authority to the AVU board of directors. This also represents a change as compared to the present situation. At present this authority rests with Parliament. In this case, protection against arbitrary nationalization would emerge as a result of the fact that members of this body are directly elected by the National Assembly. As intended, the first such body will be elected by the new House of Representatives. At the same time, the "old" Parliament intends to accept the task of electing the first man of AVU, the managing director, at its February session. Nevertheless, the present Parliament intends to allow its choice of director to withstand the test of time. For this reason they decided that in a manner similar to the legislative proposal itself, the director should also be the subject of conciliation among the parties.

Parliamentary debate left untouched the most substantive parts of the legislative proposal. [passage omitted]

Because of the novel character of these laws it is somewhat understandable that from among the twin laws concerning privatization, representatives dealt more intensely with the law concerning AVU. Therefore the second twin, the property protection law, was given birth essentially without complications.... [passage describing provisions omitted]

The National Assembly changed this legislative proposal in one respect: By necessity, it will go into effect on 1 March, rather than on 1 April. On the other hand, no modifying amendment which sought to raise or lower the thresholds of applicability as those are contained in the legislative proposal carried.... [passage describing threshold figures and ratios for applicability omitted]

It is questionable, however, whether representatives in the final minutes of their mandates, previously unable to cope with dished out legislative menus, thought through the complexity of this matter when they demanded that the government submit the so-called property policy guidelines at the February session. This document would not determine AVU activities in terms of techniques, but would define the substance of such activities, plainly put:

what to privatize and what not to privatize, and who should, and who should not be favored buyers. Even though it is possible that the advancement of the effective date of these two laws theoretically justifies the establishment of these guideposts, quite obviously the guidelines will delve into such political depths that a consensus among parties in this regard can hardly be expected prior to the elections.

In any event, an informative statement released in advance provides some insight into the present government position. This statement was submitted to representatives as an attachment to the two legislative proposals. Among other matters, the statement says that the most important considerations to guide privatization initiated by AVU are the invigoration of competition, decentralization, and the attraction of outside capital, technology, and a market. Without naming the specific enterprises, the statement mentions between 15 and 20 autonomous enterprises which it recommends to be "nationalized" and sold this year, as steps by which the above goals may be achieved. But the hunting ground for state directed privatization also includes "vacated" holding companies from which enterprise property has been transferred to other companies already, as well as other firms which already received offers, and whose sale is being hindered by local autonomous organs.

The informative statement also specifies instances in which the sale of state property is not recommended. In a self-explanatory way, these include situations in which a buyer paying a price proportionate to the enterprise's value cannot be expected to appear within six months. Similarly, the state's ownership share in banks and mass communication organizations cannot be privatized, in the event that the state would lose majority control as a result of such privatization.

Certain passages of this document referring to possible buyers are also noteworthy. In these passages the statement indicates that it is desirable to sell state property to the employees of a firm below market price (but only up to 10 percent of the company's founding capital), and that preference must be given to persons of Hungarian citizenship and to foundations which sustain public institutions, such as hospitals, schools, and universities. Aware of developments regarding spontaneous privatization that have been going on in Hungary for about a year, certain statements contained in the property policy guidelines [as published] are rather noteworthy. These statements indicate that insofar as it is possible to sell a company's stock to the greater public at market prices, the purchase of stock primarily by small stockholders should be encouraged, while state property should be sold to foreigners only if as a result of such sale there is prospect for expanded competition, technological development, increased exports, a positive foreign exchange balance, and a reduction of the state's indebtedness.

### Illegal Interenterprise Forced Lending Increases Sixfold

25000611A Budapest FIGYELO in Hungarian  
4 Jan 90 p 15

[Article by Istvan Garamvolgyi under the rubric "Hetkozben": "The Third Tier of the Banking System"]

[Text] Based on conventional classification, at the second tier of the banking system one finds commercial banks and specialized financial institutions. More recently delineation starts from the standpoint that there are banks that create money, and others that only distribute the money. Under this classification, banks that manage accounts—essentially the commercial banks—constitute the first group of financial institutions, and the rest make up the second. The Hungarian financial system has an institution that creates money—a third, invisible tier—that does not have the authority of commercial banks, has no headquarters building or a network of offices, yet conducts a stunning volume of credit transactions.

This bank which creates money may be designated only as a phenomenon, as "standing in line," and may be described only this way: the business sphere also has a certain monetary capability which enables it to correct and supplement in a flexible manner the money creating and lending ability, capacity of commercial banks.

In the course of 1988-89, a virtual exponential increase could be seen in the proportions of long-term shortage of funds and of the mutual indebtedness of enterprises; it began with 14 billion forints and by late October 1989 it came close to 100 billion forints. (The actual amount was 92.5 billion forints.) This amount of indebtedness includes only the larger items. According to professionals dealing with payments and the flow of money the actual amount of payment obligations not satisfied due to the shortage of funds is double the amount of what can be detected on the basis of statistical observation. Comparing the 100 billion forint and the 200 billion forint figures with the amount of short-term credit, including notes, which provide current financing for the business sphere, interenterprise indebtedness, or forced lending constitutes a stunning large ratio. The total amount of short-term refinancing provided by the central bank as of late October 1989 was 124.1 billion forints—altogether only 30 billion forints more than the total amount of forced lending that is proved to have taken place in the black and illegal clearing sphere. This amount nevertheless falls far short of the 200 billion forints which may be regarded as the total amount of interenterprise indebtedness or forced lending.

Continuing with the comparisons: As of late October 1989 the volume of short-term credit provided by commercial banks amounted to 211 billion forints, and discounted notes came to 20 billion forints, altogether 232 billion forints [as published]. This volume of credit already "competes" with the 200 billion forints we found in the black clearinghouse [as published], and at the

same time supports the realistic nature of concerns expressed by banks. Namely, commercial bankers warn that commercial banks will sooner or later be squeezed out of the business of providing short-term credit, if interenterprise forced lending practices continue to increase at this rate.

Still to be explained is the following: how is it possible that commercial banks continued to provide additional credits amounting to 200 billion forints of the total of 232 billion forints in short-term credits—or 304 billion forints of credit if one also counts medium-term loans—to enterprises which experience shortage of funds? Well, loans provided for the financing of current assets provide only partial financing for current activities in the business sphere. The bulk of such needs is satisfied by current assets controlled by businesses. The combined total amount of short-term credits and enterprise current assets may be put at 1,000 billion forints, and the funding source of forced lending practices and of the increasing interenterprise indebtedness is composed of bank loans and the enterprises' own current assets. One can only guess the ratio between the two. What appears to be 100 percent certain is this: there can be no tolerable and a somewhat effective monetary control in the absence of harnessing and reducing the black clearing sphere that evolved during the past two years.

#### **Food Price Increase: FIGYELO Charges, Government Responds**

##### **FIGYELO Blames Mismanagement**

*25000611B Budapest FIGYELO in Hungarian  
11 Jan 90 p 1*

[Article by Peter Bonyhadi: "Price Freedom"]

[Text] As one of the signs signaling the advent of the long-awaited market economy, food price controls were lifted in early January. The agricultural branch breathed a sigh of relief, while consumers were unable to catch their breath. Namely, only one thing is certain in regard to the predicted 25 percent price increase: 25 percent is the minimum! This is the percentage they calculated, but just how much it will amount to in reality depends on agriculture and on the food industry.

A financially starved agriculture leads the procession. Quite obviously, it not only includes production costs in its price structure, but also the increased costs of production—a privilege enjoyed thus far only by industry. And perhaps not even the producers know how much that increased cost will be.

Many try to keep this giddy perspective down to earth by explaining it on the basis of market theories, namely that the market does not recognize prices based on cost, just as the market, if personified, is not interested in whether a producer goes bankrupt. Starting from this theory it would be a vain illusion to expect that food prices will be at levels thought of by producers and processors. Prices

will be established by competition that takes place in the marketplace. But even that would be only a vain illusion!

#### **Unbroken Prices**

Namely, competition today exists only at horse races. In vain would agriculture produce one-third more than the domestic demand, the surplus must be exported and this "must" is something different than the situation when one must export because all sales opportunities in the domestic market were taken advantage of. A \$1.5 billion to \$1.7 billion increase in agricultural export revenues is indispensable to the repayment of the country's \$20 billion indebtedness. These dollar revenues, however, are subsidized by the state to the tune of 20 billion forints. The need would be far greater than this, but the budget has no more money.

By 1990, domestic consumer price support dropped from the 14 billion forint level a few years ago to 5 billion forints, and applies exclusively to milk. (Just as a matter of comparison: The 5 billion forint price support represents barely more than a 2 percent domestic food subsidy, as compared to the 20 percent export subsidy.)

There should be no misunderstanding: Food exports are subsidized everywhere. In developed countries, internal agricultural prices are between 60 and 70 percent higher than world market prices. But these countries have the resources to pay for this difference. In Holland, for example, agriculture and forestry receives a 4.3 percent share of the total domestic production (GDP). This share comes to 4.6 percent in Denmark, and even in Spain it amounts to 6.2 percent. In contrast, in Hungary, a country also regarded as an agricultural great power, this ratio exceeds 18 percent, which should not be considered as the glory of the agricultural branch, but rather as the value-producing ability of Hungarian industry and the service sector, of which they should be ashamed.

Returning to food prices which were let loose in the absence of restraints: their size will be largely determined by the export subsidy levels provided. Namely, these amounts are most certainly to be paid by consumers at the grocery cash registers. And still, a situation in which we are able to export food for dollars is preferable.

Nevertheless, this may be catastrophic from the standpoint of domestic food prices. If the supply side of foods does not evolve as a result of exports, there will be nothing to hold down domestic prices. One cannot experiment with imports either. Not only because there is no, or only very little available convertible foreign exchange for this purpose, but also because as a result of the continual devaluation of the forint expensive imports became increasingly noncompetitive with domestic prices. Simply put: there will be, there can be no real food market in Hungary.

The great leap taken by food prices this year, at least in the first quarter of this year, is likely to be slowed down by the population's food buying-up spree last year. Accordingly, demand should decline in theory, which in

turn should force food producers to exercise self-restraint. For objective reasons however, it appears that this self-restraint will be elevated into a biblical category. For example, between 30 and 40 percent of the meat industry's capacity remains uncommitted. This is so not only because the number of hogs has dropped to an abnormally low level, but also because the capacity of the meat industry is larger in the order of a million hogs, than the normal total number of hogs. (Similar concerns exist in the poultry industry.) Namely, guided by political considerations, meat combines were constructed in earlier days, plants where there was nothing to be processed, but which could be referred to as results achieved by the county party committee, nevertheless.

#### At the Consumers' Expense

It does not take much courage today to criticize bygone politicians of course, but the consequences of political considerations and the commitment to oversized capacities at any price currently act as economic factors and create an unhealthy price competition in the free pricing system. In a peculiar way this is possible, and is occasionally supported by the siphoning effect of the global economic boom. One should of course rejoice about an economic boom because it produces dollars, but it is better not to think about the price at which these dollars are produced. The populace will notice that anyway.

Expensive exports not only stimulate inflation, subsequently they also may endanger production itself. Booms are booms because they exert only periodic effects. Prices drop and inventories increase once a boom is over. If the state is unable to buy up the superfluous inventories, or to stay with our previous example, if meat and slaughter animal remain unsold by the producer, producers will make radical reductions in their production so as to reduce their losses. And as economic textbooks have it: the process starts once again from the beginning....

#### Caring and Veiling

This educational excursion was needed, because the introduction of a free food pricing system was not only not preceded by, but was not even accompanied by the development of market stabilizing mechanisms, and by the securing of funds needed to operate this mechanism. As originally scheduled, this system was supposed to be developed by 15 October last year. The deadline was first postponed to 30 November, and later to 15 January. At this point there is a choice as to which fable one accepts: the case of introducing free food prices without preparations may be compared to the case of the magician's aide or to the genie who escaped from the bottle.

Let's stay with the producers' self-restraint presumed to exist by politicians. The Grain Trust was still in existence when the central office informed its enterprises by way of a circular that although cost proportionate calculations would warrant only a 12-13 percent increase in the price of flour, it recommends a 22 percent price

increase for the sake of greater profits. On the other hand, one may rule out the possibility that from among all the food industry enterprises only the grain industry thinks this way. However outmoded flour may be as a produce, it still constitutes a basic food product. It must be bought, whether you like it or not.

In a peculiar way, the situation was no different in regard to specialty goods. If anywhere, in this field consumers could control the producers. According to information received from the Pricing Office, last year the manufacturers of specialty goods and the related sales enterprises scheduled a 5.6 percent price increase. In reality, by the end of the year this turned out to be a 12 percent increase. Nevertheless the sales volume did not decline.

Every cost increasing factor that results from the irrational and wasteful production structure is of course kindly veiled and preserved by the strong influence exerted by the export boon, and by free pricing which functions in the absence of real competition. And this is so not only in the food industry!

It was primarily the agricultural society which demanded with the force of the elements that its economic situation be improved. It designated the discontinuation of official prices as the breakthrough point. The government had not much choice. In any event it regarded the freeing of food prices as a smaller threat than fully abandoning agriculture held in its shackles.

#### The Sins of Agriculture

At the same time, however, agriculture must not be regarded as a victim only. With its enterprise and production structure that evolved 30 years ago, and which to this date remained practically unchanged, agriculture was only capable of accomplishing extensive development. This "only" should be in quotation marks of course, because as a result of such development agriculture was able to ensure undisturbed food supplies and become a net exporter. But because of its unchanged character, it was unable to accomplish a qualitative change, and to avoid or neutralize the onslaught of financial burden.

One must not blame agriculture alone for this. For years, the cowardice of the Ministry of Agriculture, and the fiscal stubbornness of the Ministry of Finance have reduced to the experimental level organizational and structural transformation endeavors initiated by farms. (Also) this contributed to the fact that half of all agricultural plants became loss operations, and that agriculture found itself in a situation in which it was possible to avert catastrophe only by throwing in the reins that controlled prices. This certainly will suffice to keep agriculture alive, but not likely for accomplishing change.



### Ministry Issues Official Statement

25000611B Budapest FIGYELO in Hungarian  
18 Jan 90 p 2

[Official response by the Ministry of Food and Agriculture Public Affairs Office, signed by the chief division head, Dr. Istvan Gyongyosi: "Free Price and Competition"]

[Text] I would like to state the position of the Ministry of Food and Agriculture relative to the article entitled "Price Freedom" that appeared in FIGYELO No 2, 1990. More than half—52 percent—of the food price increase was caused by the increased prices of products of industrial origin, while the discontinuation of state subsidies contributed 20 percent. One should add to these external effects a 14 percent improvement in the agricultural income level and a further 14 percent in wage increases and related expenses. Accordingly, less than 3 percent of the total price increase constitutes an improvement in the income level.

The present price increases are unusually high, but only in this way is it possible to adapt the production of this branch into the whole system that regulates the national economy, and only in this way can the four decades of decline in real agricultural value be stopped. It will be possible to maintain the increased levels from the standpoint of both the presently known costs, and the market conditions, provided that no additional central measures are implemented which strain price levels. In other words, if no additional subsidies are discontinued, if no significant exchange rate measures are introduced, if the export subsidy fund is not reduced, if energy prices do not change and if no changes are made in consumption taxes or in consumer price supports.

Accordingly, most of the price increase is not a result of the removal of price controls, but of the known fact that the budget discontinued part of the food production and consumer price supports. This of course does not mean by far that the state has removed itself entirely from agriculture and the food industry. This took place at most to the extent that it has done away with the old methods. Simultaneously with the decentralization of prices the state must also enter the agricultural economy with new methods. After all, no country can afford the "free price—anything goes" principle to prevail. In the new situation the chief means by which the state influences the market may be as follows. Within a narrow group of basic products (wheat, milk, white bread) prices would continue to be established by the authorities. In regard to a few products (corn, slaughter hog, slaughter beef cattle) we proclaim guaranteed prices. The state would step in as a buyer in the event that the market price drops below the guaranteed price. We are introducing a distinct agricultural intervention program. The resources for this will be provided to a smaller extent by the state, and to a larger extent, on a voluntary basis, by the producers. The intervention system would primarily cover the so-called market items (vegetables, fruits,

wool). Protection of the biological foundation would be provided for by production intervention policy (e.g., the outplacement of sows, breeding hog project, etc.). Also the export licensing and export subsidy system remain effective means by which domestic food supplies, and consequently price formulations can be influenced.

Accordingly, price supports paid to producers, which in reality benefited the consumer have been clearly discontinued. This practice permits prices to reflect actual costs, and thereby clarifies the situation. The provision of social welfare assistance to strata which need this kind of support is under the jurisdiction of a different ministry. Had the government failed to take this action, agriculture would have remained in a blurred situation which touched the lives of every person, and which was not good for anyone.

The issue of prices and wages often arises and rightfully so. An appropriate price is one matter, wages paid at workplaces is another. The latter is not an issue related to agriculture. Quite naturally it would be desirable for everyone to have enough salary to pay the higher food prices. But do we want an agriculture based on the market, or an agriculture based on social welfare considerations? Everyday life gave an urgent response to this question. The fact that at least initially, the new system will by all means cause price increases must be established clearly. On the other hand, we will continue to supply the populace at the desired level, moreover we can hope to see progress in expanding the qualitative choice among products. This is so because once producers adjust themselves to the marketplace they must produce a more varied array of products, one that responds to the various needs. At the same time there is hope that the waste that results from cheap bread and milk will be discontinued. Will there be an effective remedy for excessive price increases? How can it be achieved that farmers convey only those increased costs for which they cannot be blamed, while they endeavor to absorb losses caused by inefficiency, or by the conservatism of the production structure and by anomalies that occur in organizing work.

Consistent with the government's decision the pricing authority functions related to agricultural and food products will be performed by the Ministry of Food and Agriculture, rather than by the National Material and Pricing Office. This provides new tasks for the ministry, tasks which are laden with tensions. The acquisition of this function was not fought for by the agricultural lobby, we much rather regard this as a peculiar twist in the course of events.

Accordingly, what does the liberalization of prices mean and what do we find if we examine the background of price changes? It is clear that the formula for pricing will become simpler and that price formulations and movements will be freed from their shackles. Not too long ago, in the early 1970's only one-eighth of the agricultural products had free prices. But at that time the state joined in with grants and price supplements at current prices. In



recent years the rigid constraints of official price regulation were relaxed. This process accelerated during the last two years in particular. Last year these constraints extended only to a few, the most important agricultural products (wheat, barley, milk, etc.), to the chief agricultural inputs (fertilizer, etc.), and 15 food products. This year the volume of support will be reduced by 19 billion forints. For the past five years, agriculture has become a net contributor to the budget. By now no one knows whether the burden on agriculture is increased more by withdrawals or by parity. When performance declined on a societal scale, or, when in the course of assessing achievements part of these was found to be easy, it is from that field of the economy that more withdrawals may and can be made in the interest of general development which is capable of accomplishing this despite declining social contributions [as published].

This is why a greater burden weighed down a depreciated agriculture—a burden that was greater than the objective proportions of the agricultural economy, considering its place in the economy as a whole. This may be seen by viewing 40 years of disparity between agricultural produce prices on the one hand, and the prices of means of production of an industrial origin on the other. Constant increases in the prices of products purchased by agriculture from industry as a result of inflated costs, while agriculture continued to pursue its activities at fixed prices, increasing its losses, presents an unacceptable situation. Since the gravest concern that confronts agriculture today is the minimum income level related to basic functions, the continued maintenance of production in several branches of agriculture may be facing its ultimate threat.

The government provides an income potential to the food economy which is on a par with the potential enjoyed by the rest of the people's economy branches. It does so by the further, streamlined development of regulatory means governing prices, subsidies, taxes and credit practices. In this way the government may establish ameliorating conditions for the unbearably low income levels tied to basic agricultural functions, but only to the extent and only at a pace that may be enforced through market prices in the present economic situation.

Dr. Istvan Gyongyosi  
Chief Division Head  
Ministry of Food and Agriculture  
Public Affairs Division

## POLAND

### Exports Fall, Imports Rise in Relation to Payments Zones

90EP0368A Warsaw RYNKI ZAGRANICZNE in Polish  
No 153, 23 Dec 89 p 2

[Article by TEK: "Further Retrogression"]

[Text] Can we say that foreign trade is doing better than the economy at large given that the output of industry in

November declined by eight percent whereas imports also declined by eight percent and exports by only three percent? This would amount to putting a good interpretation on a bad situation. We should acknowledge openly that we registered further retrogression in our economic contacts with foreign countries. In constant prices, exports declined by 0.3 percent in 11 months compared to last year, equally with regard to both payments zones, whereas imports rose by three percent. This concealed a 2.6-percent decline in deliveries from the firstst payments zone [ruble-denominated trade] and a 9.1-percent increase in deliveries from the second payments zone [hard currency-denominated trade].

### First Payments Zone

In 11 months, the value of exports in this direction, expressed in rubles and in current prices, amounted to 10,517 million SUR [Soviet rubles], and was 1.8 percent higher than a year ago. At the same time, imports came to 9,077 million SUR, dropping 3.7 percent. Therefore, the exchange resulted in a high surplus of 1,440 million SUR, or 535 million SUR more than during the same period of last year. The continuation of favorable trends in the movement of export and import prices since the beginning of this year was a fortunate phenomenon. In exports, prices rose by 2.1 percent, and in import they declined by 1.1 percent; therefore, the terms of trade amounted to 103.2. Benefits due to this in the course of 11 months are estimated to be 317 million SUR.

The positive balance of trade has already exceeded the mark of 1.4 billion SUR planned for the end of the year. On the other hand, exports fell 372 million SUR short of implementing smoothly the planned turnover, and imports fell 530 million SUR short.

### Second Payments Area

Exports in this direction in 11 months expressed in dollars and current prices amounted to \$7,430 million, increasing by 3.2 percent compared to last year. Our deliveries to hard-currency markets increased considerably more slowly; they came to \$5,790 [as published; "\$5,790 million" is called for], but they increased by 1.3 percent. However, other deliveries, primarily to clearing markets, increased during the same period of time by 10.4 percent, to \$1,640 [as published].

In imports, we registered a considerably higher growth rate, 10.8 percent. The value of imports in 11 months came to \$6,776 million. Unlike in exports, in this case hard-currency purchases increased faster (by 11.6 percent) than clearing and compensation purchases (by 7.6 percent).

The balance of turnover was positive all the time but it amounted to merely \$653 million, declining by \$493 million as compared to last year. This is only slightly more than one-half of the surplus envisaged by the annual plan, which was supposed to be \$1,200 [as

published]. The arrears in implementing the plan for trade with the second-payments area are also very large; they amount to \$1,099 million in exports (this is the equivalent of almost two months' worth of the value of exports). In imports, \$654 million were lacking for the smooth implementation of the plan.

In this trade, prices also developed favorably for us. In exports, they grew by 3.2 percent, and in imports by only 1.6 percent. Since July of this year, the terms of trade have been above 100. Benefits by virtue of this have come to \$145 million.

#### Commodity Groups

Our export deliveries to the first payments zone, expressed in rubles and current prices, increased in only three commodity groups: products of machine building by 1.5 percent, chemicals by 3.3 percent, and agricultural products by 30.7 percent (this was primarily the result of large potato purchases). In the remaining commodity groups, we registered declines: fuel and energy by 4.7 percent (including coal by 9.2 percent), metallurgy products by 6.6 percent, foodstuffs by 18.2 percent, wood and paper industry products by 20.7 percent, and light-industry products by 21.4 percent.

We increased our imports of wood and paper industry goods from the first payments zone by eight percent, foodstuffs by 8.2 percent, and products of light industry by 21.1 percent. Declines occurred in the remaining groups: products of machine building by two percent, metallurgy products by 4.3 percent, chemicals by 5.5 percent, fuel and energy by 10.4 percent, and agricultural products (mainly citrus fruit) by 51.7 percent.

In our exports to the second payments zone, we increased delivery in five commodity groups: products of machine building by 3.5 percent, fuel and energy by 4.7 percent, foodstuffs by 6.2 percent, agricultural products by 10.5 percent, and metallurgy products by 13 percent. Deliveries of chemicals decreased by 2.1 percent, those of wood and paper products by six percent, and those of light industry products by 15 percent.

In imports, the decline affected only chemicals—by 2.7 percent. In all of the remaining commodity groups, we registered growth: in wood and paper products, 0.5 percent; foodstuffs, 10.5 percent; metallurgy products, 10.7 percent; products of machine building, 12.8 percent; fuel and energy, 15.9 percent; light industry products, 16.7 percent; and agricultural products, 33.6 percent.

## BULGARIA

**Environmental Failures Cited, Solutions Proposed**

90EB0187A Sofia RABOTNICHESKO DELO  
in Bulgarian 18 Dec 89 pp 5-6

[Statement by Mako Dakov, member of the BCP [Bulgarian Communist Party] Central Committee and chairman of the Nationwide Environmental Protection and Replenishment Committee of the National Council of the Fatherland Front]

[Text] I shall deal with only one problem—that of our ecological policy.

But before that, let me express my full and unreserved support for the revolutionary changes taking place in the life of the party and of our entire society. Gone is a system that created conditions for a totalitarian regime, for the dictatorship of a personality. An emancipation is in progress, a perestroika and democratization in a situation of complete glasnost.

The planks and proposals contained in the report will play an exceptionally important part in the updating process, in restoring the people's confidence and in determining the right way to stabilize our socioeconomic development.

The ecological problems are likewise considered with great concern and corresponding responsibility.

Let me try to set forth some of the considerations underlying our environmental protection policy up till now, how it has taken shape on the basis of the documents that have been presented for nationwide discussion and which are presented as a new ecological policy, as a fundamental change in our nature-protection policy. I set forth similar considerations during the discussion in the Council of Ministers, before they were published. First and foremost, I want to raise the question of the realistic character of the program, because hitherto numerous documents have been adopted which were not implemented and which are a vivid example of the divergence between words and deeds. In the period from 1975 to 1980 the State Council of the Bulgarian People's Republic alone adopted 12 so-called program directives dealing with environmental protection and replenishment and the rational use of natural resources.

The collection of these documents set a goal "of achieving by 1985 air cleanness in conformity with the public health requirements for the entire country" (page 22); and for water "... of halting by 1985 the pollution of river, reservoir and underground waters in excess of the permissible norms, with all water sources being fit at the same time for economic use"; of raising by 1990 the category of water purity in conformity with the purpose for which the water is intended" (page 33).

This decision was approved by the State Council of the Bulgarian People's Republic on 29 June 1977.

What is the actual status today? Not only is there no improvement, but, to the contrary the deterioration is greater still. According to the data of the State Environmental Protection Committee, pollution of the free air comprises 20 air basins situated in the territory in which about 35.5 percent of our population lives. The free air over such cities and industrial regions as Sofia, Pernik, Dimitrograd, Srednogie, Razlog, Burgas, Varna, Devnya, Pleven, Kurdzhali, Vratsa, etc., does not meet public health requirements.

And with regard to water, studies show that 75 percent of the length of the monitored portion of our country's river network is polluted (contains pollutants in excess of the maximally permissible norms). The 15 river valleys in our interior river network, with the exception of the Veleka River, have been determined to be heterogeneously polluted. Severest is the status of the Iskur, Struma, Yantra, Maritsa, Tundzha, Kamchiya, Vit rivers, etc. Some of the underground waters also have a higher than usual nitrate content. The quality of the Danube River waters and the coastal waters of the Black Sea has likewise worsened.

What is envisaged in the present program, presented for nationwide discussion? Let's take, for example, once more only air and water. For the air there has already been talk of a different target date—"by the year 2000 our sky shall finally be utterly clean."

For water purity protection the target date is the same—"by the year 2000 the economic use of the waters in the river valleys of the Iskur, Ogosta, Vit, Osum, Yantra, Lom, Tundzha, Maritsa and Struma shall be made safe."

There can be only one overall rating of the proposals in the program—very good, excellent even, but it has to be proved this time that it is realistic, that it will be implemented. Before we adopt the new program, the past solutions and the reasons for their failure must be analyzed. Otherwise the program will be the latest in a series of promises.

Another important question is that of the priority of the nature-protection problems that are going to be solved, and by what criteria will this priority be determined.

Let me make use of an example—the removal of arsenic from the waste waters of the G. Damyanov TMK [possible Tezho-Metalen Kombinat—Heavy Metal Combine] in the city of Srednogie. Despite the measures that have thus far been taken, the arsenic content of the lake where the runoff waters settle, as against a norm of 0.05 mg/l, fluctuates in a range from 20 to 200 mg/l, i.e., in a range from 400 to 4000 fold. The heavy and nonferrous metal content of the water is also in excess of the norm. These polluted waters drain farther into the Topolnitsa Reservoir, whose water, as is known, is intended for irrigation. There is already talk that its use for this purpose may be prohibited, but this would cause great losses to the national economy that have not yet been calculated. Such a project, other things being equal, would have to have priority.

Much more difficult are the questions when the damage to the soil, air, and water directly affect the population's—and especially the children's—state of health. Comparisons with control clean settlements reveal a morbidity manyfold higher (in some cases as much as twentyfold).

Here is what the party organization in the village of Kuklen, Plovdiv Oblast, wrote us in its statement: "We come with pain in our heart to let you know our anxiety—we would even say the doom of us living in the village of Kuklen—over the disastrous effect of the toxic substances released by the D. Blagoev KTSM [Nonferrous Metals Combine] and the Agriya TKhK [possibly Fertilizer and Chemical Combine], located on our land. They are continuously increasing in number and amounts; hence, we arrive at a sad fact—mass destruction of our productive and work animals (cows, sheep and horses), mass poisoning of strawberries, seedlings and sown fields."

The Environmental Protection Commission of the National Assembly and the Nationwide Environmental Protection and Replenishment Committee have looked into the worsening ecological situation in the regions around the lead and zinc plants near Plovdiv and Kurdzhali. Analysis shows that the ecological problem in these regions is exceptionally acute and has reached the limits of public unendurability. Air, soil and product pollution exceeds permissible norms tenfold and hundredfold and, in the final analysis, affects the people's health. The only babyfood plant in our country is situated in the vicinity of the plant in Asenovgrad. Nor is the situation in Kurdzhali any better. The position taken is categorically that lead and zinc production should be moved to a new site guaranteeing its complete ecological safety.

The question of financing nature-protection projects needs to be settled correspondingly. It is known that for years the nature-protection construction plan has been barely 60 to 70 percent fulfilled, and for the first nine months of 1989 it is 52 percent. Nobody has been prosecuted for this—neither the investors nor the designers and, especially, the construction organizations. It is the government that bears specific responsibility. Nobody other than the government has to determine the priority building of nature-protection projects, or the earmarked concentration of capital investment in regions where ecological disaster has been created or we are on the verge of it.

After adoption of the decision of the BCP Central Committee of 5 May 1988 on fundamental restructuring of nature-protection activity and implementation of a new ecological policy, I actually believed that at last decision action would be taken with respect to the ecological problems. Twice, however, in my presence and the presence of other comrades Todor Zhivkov declared, "The Western countries have duped us on two things—ecology, because it is very expensive, and individual freedom, in order to create difficulties for us."

This did not prevent him from talking about a new model of socialism or perestroika and, what's more, the same kind as in the USSR. These stances of his, uttered in the presence of others as well, had their adverse effect on our ecological policy. In fact, no change took place while public distrust grew because of the constantly worsening ecological situation in the country.

We all face great responsibility for the health and life of our people, for how shall we move ahead unless there are healthy able-bodied people? What is needed is actual fundamental perestroika, new thinking and new approaches in the solution of the ecological problems.

The nationwide movement for environmental protection and replenishment must find its place, must energize its social and moral responsibility, find the maximally right way to strengthen its position and, what's more, on the basis of wide cooperation with other public organizations, movements and groups.

In conclusion, I propose the following.

The government should make representations, on the basis of the Bucharest Declaration of 1985, to the other seven Danube states for a meeting to discuss the measures that are under way to protect the Danube River waters, as well as the future forms of cooperation. Representatives of public opinion and the parliaments should participate in the meeting.

A committee on forests should be set up as a regulator between all activities of the lumber industry complex, the object being that this resource should be specially monitored, and with a view to improvement in integration with the Soviet Union and with the joint lumber industry in the Komi ASSR as a partner of the counterpart independent Soviet department.

## GERMAN DEMOCRATIC REPUBLIC

### Journal Publishes Statement on Academic Role, Freedom

90EG0166A East Berlin DAS HOCHSCHULWESEN in German Vol 38 No 1, Jan 90 pp 1-2

[Article by Professor Dr. W. Falk, dean of the Scientific Council of the Social Sciences Faculty, Humboldt University, East Berlin: "Statement on the Work of Social Scientists"]

[Text] At its session on 3 November 1989, the Social Sciences Faculty of the Scientific Council of Humboldt University in Berlin made use of the impetus provided by the open letter of the Senate to all members of Humboldt University to deal with the crisis in society and to come to grips with the serious erroneous developments involved in the work of the social sciences, to promote changes designed to overcome these deficiencies and to establish new requirements. The faculty took positions with regard to three question complexes: on the necessity for newly defining the role of the social sciences

to give up any standardized and normed teaching contents without delay. Openness and publicity stimulate this process and provide the students with broad possibilities for participation.

### III.

The redefinition of the relationship between politics and science, the new requirements levied upon advanced school education by teachers as well as students call for new structures in direction and administration. To bring about this situation, the solution of the following primary tasks is to be sought:

1. Reexamination of certain structural results brought about by the III. Advanced School Reform. We have in mind the reintroduction of the electability of certain academic leadership functions, for example, of section directors. Experiences gathered by university management prior to 1968 are to be thoroughly evaluated and the conditions which have led to the present predominance of administration are to be uncovered.

2. The dissolution of all scientific councils of the Academy of Social Sciences of the SED CC [Socialist Unity Party of Germany Central Committee] and of other scientific installations of the party, as well as of the system of problem councils resulting from these institutions. In their place, new forms of equal rights scientific cooperation are to be created and, particularly, the number and weight of scientific societies is to be increased. Any nonscientific influence upon research and scientific development, all the way through to bureaucratic conduct of competitions and formalism in plan discussions, is to be overcome. The central plan for social science research is to be eliminated.

3. The management of the process of education and science must be simplified and gathered under the auspices of a single ministry (the Ministry for Popular Education, Advanced and Special Education, the Ministry for Science and Technology, and the State Secretariat for Professional Training are to be abolished). Such a state organ with an appropriately weighty representation in the Council of Ministers appears to us more likely to be suitable for managing the process than the Department of Sciences of the SED CC or the maintenance of determining functions in the party institute, by the academies and by other scientific institutions, particularly those which apply research results and are supposed to take on graduates. The management of

science by undiscussed resolution, including those resolutions passed by the Politburo, must not occur again in the future.

4. The goal of these measures consists of providing the university with greater independence (autonomy) within the framework of legal regulations. It is further necessary to effect a rigorous reduction in the influence exerted by state management and administration at the university level and with respect to the structural institutions which influence instruction and research. This includes reducing the number of employees active in this area and reversing the conditions which exist in the area of technical equipment (typewriters, duplicating equipment) between the administration and the various scientific disciplines.

5. Action room for professorial chairs is to be reestablished so that they can exercise their responsibility in accordance with their appointed tasks. In the interest of increasing the value of the scientific councils, to be elected in secret at the department level or centrally, consideration should be given to separating the functions of council chairman from the functions of rector or department director. The weight of the position taken by the scientific council and by its faculties is to be substantially increased in the university management bodies and with respect to the decisions made by these faculties.

All of these considerations are only preliminary operations which, in the final analysis, are intended to contribute to working out a university statute appropriate to the times and to help derive final conclusions for the higher education law.

The following are to be realized immediately:

- Observation of the secrecy of correspondence; elimination of customs controls in the exchange of written material between scientists;
- A fundamental change in the publications regulations;
- Unfettered utilization of the telephone as a means of communication, including calls beyond the GDR;
- A more transparent formation of official travel and the provision of funds for foreign sojourns abroad;
- Reduction of the reporting requirement resulting from official foreign travel to a minimum;
- Investigation of the possibilities for personal participation on the occasion of foreign official travel with regard to the acquisition of periodicals and scientific literature from countries of the nonsocialist world.

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1. Reexamination of certain structural results brought about by the III. Advanced School Reform. We have in mind the reintroduction of the electability of certain academic leadership functions, for example, of section directors. Experiences gathered by university management prior to 1968 are to be thoroughly evaluated and the conditions which have led to the present predominance of administration are to be uncovered.

2. The dissolution of all scientific councils of the Academy of Social Sciences of the SED CC [Socialist Unity Party of Germany Central Committee] and of other scientific installations of the party, as well as of the system of problem councils resulting from these institutions. In their place, new forms of equal rights scientific cooperation are to be created and, particularly, the number and weight of scientific societies is to be increased. Any nonscientific influence upon research and scientific development, all the way through to bureaucratic conduct of competitions and formalism in plan discussions, is to be overcome. The central plan for social science research is to be eliminated.

3. The management of the process of education and science must be simplified and gathered under the auspices of a single ministry (the Ministry for Popular Education, Advanced and Special Education, the Ministry for Science and Technology, and the State Secretariat for Professional Training are to be abolished). Such a state organ with an appropriately weighty representation in the Council of Ministers appears to us more likely to be suitable for managing the process than the Department of Sciences of the SED CC or the maintenance of determining functions in the party institute, by the academies and by other scientific institutions, particularly those which apply research results and are supposed to take on graduates. The management of

science by undiscussed resolution, including those resolutions passed by the Politburo, must not occur again in the future.

4. The goal of these measures consists of providing the university with greater independence (autonomy) within the framework of legal regulations. It is further necessary to effect a rigorous reduction in the influence exerted by state management and administration at the university level and with respect to the structural institutions which influence instruction and research. This includes reducing the number of employees active in this area and reversing the conditions which exist in the area of technical equipment (typewriters, duplicating equipment) between the administration and the various scientific disciplines.

5. Action room for professorial chairs is to be reestablished so that they can exercise their responsibility in accordance with their appointed tasks. In the interest of increasing the value of the scientific councils, to be elected in secret at the department level or centrally, consideration should be given to separating the functions of council chairman from the functions of rector or department director. The weight of the position taken by the scientific council and by its faculties is to be substantially increased in the university management bodies and with respect to the decisions made by these faculties.

All of these considerations are only preliminary operations which, in the final analysis, are intended to contribute to working out a university statute appropriate to the times and to help derive final conclusions for the higher education law.

The following are to be realized immediately:

- Observation of the secrecy of correspondence; elimination of customs controls in the exchange of written material between scientists;
- A fundamental change in the publications regulations;
- Unfettered utilization of the telephone as a means of communication, including calls beyond the GDR;
- A more transparent formation of official travel and the provision of funds for foreign sojourns abroad;
- Reduction of the reporting requirement resulting from official foreign travel to a minimum;
- Investigation of the possibilities for personal participation on the occasion of foreign official travel with regard to the acquisition of periodicals and scientific literature from countries of the nonsocialist world.

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